D 8523 B

Europe's shipyards battle to stav afloat. Page 4

#### World news

#### Abduction Toshiba, deepens Manila discuss crisis links

Hundreds of police and soldiers searched the Manila region of the Philippines for gunnen who kid-napped a Japanese businessman in the second major crime to rock the government in four days.

A general strike has been set for today in Manila to protest against the murder last Thursday of left-wing leader Rulando Olalia, President Corazon Aquino spent two hours with top advisors discussing the Olalia's murder and the abduction of Noboyuki Wakacii, head of the Philippines branch of the Mit-

sai Company.

Japan last week played host to
Aquino and pledged hundreds of
millions of dollars in aid and investment for the Philippines. Page 4

#### Pacific violence

French Prime Minister Jacques Chirac called off a meeting with the leader of the independence move-ment in France's south Pacific territory of New Caledonia following a new outbreak of violence there in which a 14 year-old boy was shot dead and 14 people were wounded.

#### S Africa shooting

South African police shot dead a black man and injured six people when they dispersed a crowd in Durban with teargas and birdshot. The government's Bureau for Information said the crowd had surrounded a police vehicle after a black union meeting.

#### Israeli attack

Israeli jets attacked a Palestinian guerrilla naval base near the port of Sidon in southern Lebanon a day after a Jewish student was fatally stabbed in Jerusalem by Arab guer-

#### IBM office bombed

A bomb exploded at an IBM computer research centre in Heidelberg. West Germany, causing extensive damage but no injuries. Police said they believed left-wing extremists

#### Beirut clashes

fought for the 20th successive day at Beirot's Bouri al-Bareineh refugee camp, where at least 37 people have been killed in the past month despite Syrian-mediated ceasefires.

#### **Hawke prediction**

Australian Prime Minister Bob Hawke said the country's economy would improve next year, but he had no intention of calling an election before the end of his term of office in 1988.

#### **US airman jailed**

American airman Eugene Hasenhus was sentenced to 30 years in prison after a Nicaraguan people's tribunal found him guilty of involvement in efforts to submit the nation to foreign domination." Page 3

#### Ex-ministers killed

Two former ministers in the cabine of Lesotho's deposed Premier Chief Jonathan were abducted with their wives and another man and shot

#### Soviet sackings

Three senior marine officials have been sacked over the sinking of the Soviet passenger liner Admiral Nakhimov in August with the loss of nearly 400 lives.

#### Asia summit call

South Asian leaders began a sum-mit conference in Bangalore, India, with a call to combat terrorism in the Indian subcontinent. Page 2

#### Voicano erupts

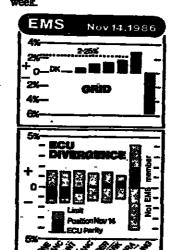
Mount Mihara, an island volcano 100km (62 miles) south of Tokyo, erupted for the first time for 12 years, Japan's meteorological agency said there was no immediate danger to the island's 11,000 popula-

## Business summary Motorola

No. 30,086

TOSHIBA of Japan and Motorola of the US, two of the world's leading producers of semiconductors, are discussing collaboration in Japan.

EUROPEAN Monetary System: The strength of the D-Mark put in the pressure on weaker members of the pressure on weaker memoers on the EMS last week. A move out of US dollars and into the D-Mark deed the two weakest members Danish krone and Belgian franc. Further strains developed as the Dutch guilder improved quite sharply. The Danish krone was placed at 53 per cent of its maxi-mum allowable divergence com-pared with 49 per cent the previous



The chart shows the two constraint European Monetary System ex-unge rates. The upper grid, based on the weakest currency in the sys-tem, defines the cross rates from which no currency (except the lira)
may move more than 2% per cent.
The lower chart gives each currency's divergence from its "central
rate" against the European Currency Unit (ECU), itself a basket of Eu-ropean currencies.

FERMENTA: The future owners of Fermenta, Swedish antibiotics and animal health group, was plunged into fresh uncertainty system, after weekend talks with when Procordia, Swedish state holding company, pulled out of the planned deal which would have especially with the public reassurby the Tories ahead of the election. holder in the troubled group.

banking group struggling to fight a takeover approach by First Interstate, produced details of its plans to restructure its operations and to reduce its worldwide staff by 5,000.

SETTSU, Japan's leading paper-hoard maker, has agreed to acquire a 21.5 per cent stake in Caraustar Industries, the US paper maker, for about Y5on (\$31m). Page 28

LONDON Stock Exchange has ironed out nearly all the bugs in its Talisman computer system with just 500 of the 240,000 equity bargains since Big Bang, or deregu-tion, left to be processed. Page 7

SWISS city of Zurich today introduces a new type of private placement, in which a public authority borrowing is linked to warrants on

the equity of a listed company.

BRITISH GAS: The opposition La-bour party accused the British Gov-ernment of underpricing shares to give foreign speculators and institu-tions windfall profits after privati-

UK GOVERNMENT is considering increased spending on the civilian space budget in order to participate in several European Space Agency programmes. Page 5

RENAULT, French state-owned mo-RENAULT, French state-owned mo-tor group, is expected to transfer the 42 per cant stake it owns in Mark Trucks, US heavy dvty lorry manufacturer, to Renault Vehicules Industriels (RVI), its loss-making truck subsidiary, as part of a FFr 3bn (\$450m) refinancing operation. Page 26

## Boesky case may curb spate of US takeover deals

BY WILLIAM HALL AND RODERICK ORAM IN NEW YORK

WALL STREET will today start picking up the pieces from its big-gest financial scandal in recent years, after the announcement on Friday that Mr Ivan Boesky, one of New York's biggest and best known individual investors, is to pay a \$100m penalty for insider trading

One affect of this may be to stem the frenzied spate of takeovers which has gripped Wall Street in re-cent months. The revelations by the Securities and Exchange Commis-sion about Mr Boesky's illegal activities in the biggest insider trading case in US history will dampen, at least temporarily, some of the hec-tic speculation in rumoured and confirmed takeover targets which have been the main force behind the market's recovery from its pre-cipitous decline in mid-September. The sheer size of the deals and Mr Roesky's prominence are also likely to cause widespread concern outside Wall Street about the honesty of the US financial markets and could lead to calls for tougher legislation to outlaw the markets' perceived abuses.

Mr Boesky, who is understood to control over \$2bm of investment funds with which he arbitraged takeover stock, attracted such prominence on Wall Street that the

deterrent with the Trident missile

pressed unease about the sweeping



into a particular company was suffi-cient to send the shares sharply

ber of the US arbitrage community, high-risk specialists who are estimated to be gambling up to \$15bn on the outcome of the plethora of takeovers which are now reshaping the US corporate landscape.

Wall Street experts predict that arbitrageurs are now likely to find their sources of information, which are critical to their assess icent in the wake of Mr Boesky's ignominous downfall. The same result was apparent earlier this year

Washington backing for

specific commitment agreed with

The leaders agreed on the import-

ance of eliminating disparities in

conventional forces, while leading The communique sets out "priorito charges by opposition leaders in ties on arms control", notably an viet forces were in prospect.

Thatcher on Trident

BY LICHEL BARBER IN WASHINGTON AND PETER RIDDELL IN LONDON

Trident and about US nuclear poli- "the president reaffirmed the US in-

cy. Mr Reagan told Mrs Thatcher tention of proceeding with its that the US will not press for the strategic modernisation pro-abolition of all long-range ballistic gramme, including Trident. He also

Britain, along with other Nato al-lies such as West Germany, had ex-terrent with Trident.

arms control proposals canvassed ance of eliminating disparities in at last month's US/Soviet meeting conventional forces as well as re-

at Reykjavik.

This had led to warnings that weapons cannot be dealt with in

deep cuts would leave Europe more isolation, given the need for stable

exposed to Soviet superiority in overall balance at all times."

The communique sets out

after Mr Dennis Levine, a managing director of Drexel Burnham Lambert, the fast expanding New York investment bank, was arrested for making \$12.6m profits on over 50 insider trading actions over

In a bid to avoid being sent to jail, Mr Levine had admitted to the SEC that he had sold inside information. which he had collected from a network of contacts in several leading Wall Street firms, to Mr Boesky over an 18-month period.

The SEC announced late on Friday that Mr Boesky had agreed to return \$50m profits from trading on inside information provided by Mr Dennis Levine, to pay a \$50m per alty and to be barred from the US securities industry for life.

Several leading Wall Street in-vestment bankers indicated over the weekend that they were ner-vously awaiting a public backlash after the revelation of Mr Boesky's insider dealings in some of the big-gest takeover bids in recent years. Mr Donald Marron, chairman of the Paine Webber group, said yesterday that the Boesky affair was "an open

Continued on Page 22

The Greed of Wall Street, Page 20; Insider trading, Lex, Life of the Arbitrageur, Page 22

tial element.

## London exchange to review Cambrian listing

By David Lascolles in London

THE Securities Exchange Commis-sion (SEC) has passed information about the Boesky case to the De-partment of Trade in the UK, where Mr Ivan Boesky was active as an investor and arbitrageur. Details were given under the terms of the were given under the terms of the recently signed information-sharing agreement between the UK and the US, designed to crack down on insider trading.

The ban imposed on Mr Boesky

by the SEC has plunged into uncer tainty the interests associated with him in the UK, notably Cambrian and General Securities, the large publicly quoted investment trust, through which he conducted many

of his arbitrage activities.
The Stock Exchange's quotations committee will meet today and is to consider the continued listing of the company on the exchange and whether Mr Boesky is fit to remain its chairman. It was thought likely last night that the shares would at

least be suspended until the position of the company was clarified. Mr Boesky will also effectively be barred from dealing in London's ecurities markets because he will be put on the Stock Exchange's list of people with whom its members are not advised to do business. Until the weekend, Mr Boesky

owned about 12 per cent of the con pany's ordinary shares, worth about 12 per cent of the close. He also held 80 per cent of its capital shares, worth £19m, giving him nearly 30 per cent of the voting stock. Under the deal with the SIC, these have been handed over to the US. now been handed over to the US Government, which thus becomes Cambrian's dominant shareholder.

Investment analysts last night considered it unlikely that the value of Cambrian shares would be badly hit because the trust's assets consist mainly of shares in other companies not affected by Mr Beckey's downfall. If they did deckey it would be through Mr Boesky's loss

MRS MARGARET THATCHER, Britain that the future of Trident, agreement on intermediate range the British Prime Minister, has secured full US support for modernising Britain's independent nuclear Mrs Thatcher can now point to a over five years in US and Soviet ment trusts, Cambrian shares have Mrs Thatcher can now point to a over five years in US and Soviet been trading at a deep discount strategic offensive weapons and a from the company's net asset value. ban on chemical weapons, involving The price at the close on Friday, when the news from New York was effective verifications as an essenstill not known, was 130p for the or-Afterwards, Mrs Thatcher said The joint communique notes that she believed this process would take quite a time. She added in a sention of proceeding with its BBC interview that it was necess would, therefore, be a substantial BBC interview that it was necessary to put the position on Trident on the record absolutely clear so profit for shareholders if the scandal led to an early winding up of the there could be no question of people company. Because of this, some analysis feel Cambrian's price could saying Britain was not going to go ahead with the new system.

rise sharply when trading resumes. Cambrian managed £377m of as-The communique was criticised yesterday by British opposition leaders. Interviewed on the BBCs This Week Next Week programme, sets when it last reported in May and had a net asset value of £122m.

## Reagan aide may refuse to testify on arms BY LIONEL BARBER IN WASHINGTON

PRESIDENT REAGAN'S National John Poindexter, the White House official at the centre of the controversy over secret US arms ship-ments to Iran, made it clear yesterday that he will refuse to testify on oath to Congress about his role in the affair.

Admiral Poindexter, who peared on television as part of the Reagan Administration's attempts to defend its Iran policy, is likely to claim executive privilege. Previous US National Security Advisers have taken this path in the past but it could leave Admiral Poindexter exposed to further criticism.

The Senate intelligence committee is likely to begin private hearings this week into the arms-forhostages row, which has turned into a major issue touching on the President's competence and his

handling of foreign policy.

Mr Reagan is facing attacks from within his own Republican Party and the Democratic Party, which has sensed that the President has for once failed to rally American public opinion behind him.

A poll by the American Broadcasting Corporation revealed this weekend that 79 per cent of those questioned disapproved of the co-vert arms shipments to Iran, only 33 per cent believed the President's claim that there was no arms-forhostages barter, and 64 per cent thought the shipments increased the chance of more American hos-

IRAQ said eight people were killed and 37 wounded by Iranian artillery shelling of Iraqi border towns. Two Iranian petro-chemical plants and several nearby camps of Iranian Revolu-tionary Guards were attacked by

tages being taken.
There are signs of disarray and disagreement within the White House over the Iran affair. Mr Donald Regan, White House chief of staff and a target of the growing criticism, said in a New York Times interview: "Some of us are like a shov el brigade that follow a parade down Main Steet cleaning up. Admiral Poindexter dissociated

himself from this remark, saying that he took exception to Mr Regan's definition of the White House The Vice Admiral confirmed that the joint chiefs of staff had not been

informed of the secret arms shipments, which were sent over a period of 11 months. Congress was similarly not informed.

It was not a military operation, Admiral Poindexter said and so it had not been necessary to inform the joint chiefs. He also defended the decision not to inform Congress, saying it was within the President's powers to withhold sensitive infor-Italy warns on arms deals,

Page 2 Continued on Page 22

## **UK** plays down Iran link with Land Rover

BY JOHN GRIFFITHS IN LONDON

UK GOVERNMENT officials were the vehicle's launch in the 1940s unperturbed last night by disclo-sures that Land Rover is negotiating to sell 3,000 Land Rovers which almost certainly would be destined for military use by Iran.

They appeared to discount sug-gestions over the weekend that the platform. Prime Minister, Mrs Thatcher, could be embarrassed, in Washington, by news of the potential sale, in the light of the uproar over the disclosure of US arms sales to Iran. Both the Department of Trade and industry (DII) which handles

export licences of equipment or goods considered 'sensitive,' and the Foreign Office stressed that Land Rover had yet to approach them over the possible contract. However, over half of all Land Rover sales are military, and since

about 100 countries. Its history has led the vehicle to be not usually considered as specif-

sales have broadened to cover

ic fighting equipment, even though it can be fitted with an armaments The potential contract, therefore, is considered unlikely to fall foul of

guidelines which oppose the sale of arms or equipment which could al-ter the balance of power between Iran und Iraq or prolong the war. Land Rover itself acknowledged

yesterday that it had supplied a de-tailed quotation for 3,000 "110" models for £27.5m (\$29m) to a London agency, although it declined to con-

Continued on Page 22

## Opec 'may need output cuts'

BY RICHARD JOHNS IN QUITO

submitted to other member states Opec members currently produce first at the Vienna meeting and about 17m barrels of crude oil a day then at Opec's next full Ministerial and have been seeking to push up conference due to take place in the crude oil price from the current Geneva on December 11 where they

spect for King Fahrl of Saudi Arabia's demand for an immediate adoption of a \$18 per barrel price an abrupt stipulation which led to the

Mr Denis Healey, Labour's shadow

Foreign Secretary, said it was "in-conceivable folly" for Britain to in-

crease its strategic capability eight

In practice the earliest starting

servance of official selling prices might actually control the level of Open's collective production. But industry executives, drawing

on past experience, were sceptical in the Gulf Co-Operation Council. decide as members of the pricing about members determination and ability to stick to fixed prices.

Italian engineering ...... Section III

## to achieve \$18 target price

ORGANISATION of Petroleum Exporting Countries members may tradictory and believe Opec advishave to cut back crude oil production by between 780,000 and 800,000 on Wednesday, may, as in the past, barrels a day in order to achieve the \$18-a-barrel fixed reference price little chance of implementing the recommended by Opec's pricing pricing committee's recommendations without a reduction in output. The committee processls will be committee meeting in Quito late on tions without a reduction in output. Yamani, the long-serving Saudi Friday, according to industry ana. The committee proposals will be Minister of Oil.

\$14-\$15.70 a barrel level while also are almost certain to be endorsed increasing Opec's market share.

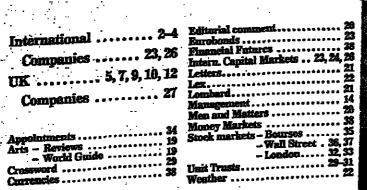
despite the expected reservations of By adopting this two-pronged the Opec advisers.

Sheikh Ali Khalifa, asked after be set at \$18, without a reduction in chaired by Sheik Ali Khalifa al Sathe pricing committee meeting output. He suggested that strict ob-

bah, Kuwait's oil minister, and when fixed oil prices might be reswhich also includes the chief del- tored, said: "We are recommending egates from Ecuador and Libya, has a prompt application. Now whether effectively endorsed the new oil pol-that means tomorrow or two weeks icy of Saudi Arabia and its partners from today I think is not for us to Independent market analysis, committee."

date world be the beginning of 1987, because of the Complexities of Reaching the detailed agreement, other delegates suggest. Sheikh Ali Khalifa said that it

CONTENTS





THE Management: Westpac's strategy as MONDAY Editorial comment: US and Iran; UK teachers ...... 20 PAGE Boesky scandal: the greed of Wall Street...... 20 INTERVIEW chairman of West Glasgow: a city sells itself, smiles and Democratic Party Survey: talks to David Marsh

## Some current questions for property investors...and the answers.

What are the true requirements of high technology occupiers?

Drivers Jonas has recently been working on a study of "The Accommodation Needs of Modern Industry" for the Department of the Environment.

Is accurate, detailed and extensive information on property investment performance readily available?

Drivers Jonas is one of the firms sponsoring Investment Property Databank which already covers over one-fifth of UK institutional property

communications technology? Do surveyors appreciate the scope for harnessing information technology?

commercial property of advancing

What is the likely impact on

Drivers Jonas has assisted British Telecom in establishing sites for over fifty cellular radio installations. Drivers Jonas has designed and

developed sophisticated computer

institutional property investor.

software systems for the UK's largest

On further thought



16 Suffolk Street, London SW1Y 4HQ Telephone: 01-930 9731 Telex: 917080

## Plans for milk curbs top EEC farm agenda

EUROPE'S farm ministers sen, said last week that EEC gather here today for what dairy farmers were producing promises to be one of their at least 10 per cent more milk most difficult meetings since than the tortuous price negotiations and third country customers early this year. A combination currently required, and that he of market pressures in the milk sector and national special pleading for lamb pro-ducers is likely to dominate what is an unusually busy

scheduled meeting left before the end of his six-month spell in the "presidency" chair, Mr Michael Jopling, Britain's Agriculture Minister, will be hoping milk powder "in exceptional to speed up the hitherto circumstances." And last week, leisurely pace of Common Agricultural Policy reform.

By far the most important system of milk quotas by 3 item in the discussions will be per cent more than previously the European Commission's envisaged over the next two pluses. The agriculture coming existing loopholes.

missioner, Mr Frans Andries- In particular the Com-

expected rapid political agree-Commission's proposals for reducing output.

Ideas have been on the table genda. Since September 101.

Moreover, with only one guaranteed Community pursince September for stopping chases of skimmed milk powder during the winter months and suspending pur-chases of butter and skimmed In particular, the Commission



wants to make farmers indi-

over-produce escaping the penalties of the so-called super Diplomats in Brussels indi-

thereby preventing those who

cated this weekend that member states are at least agreed on the urgency of the prob-granted, would boost domes lem. But it was pointed out farm prices in each country. that the ministers may prefer to opt for even deeper quota cuts in return for retaining some of the current flexibility of the system.

If recent farm meetings are any guide, a lot of time today could be devoted to the politically sensitive issues of "green" currencies—the rates at which common EEC support prices are translated from Ecus into national currencies—and the national currencies and the complex regime of monetary compensatory of monetary compensatory amounts, (essentially taxes and subsidies on cross-border

ing within their milk quotas, trade). The European Commission meets early this morning to discuss last month's request by the British and French governments for devaluations in the green pound and the green franc — measures which, if granted, would boost domestic

> There is also speculation that the Commission will announce a new negative MCA on British lamb in an effort to appease French lamb producers. This would represent a tax on exports and a subsidy on

Thanks to the sharp depreciation of sterking against other European currencies (more than 20 per cent this year), large quantities of British lamb are being sold into the French market, thereby depressing prices, according to local farmers.

#### South Asian leaders in pact to halt drug supply

By John Elliott in Bangalore SEVEN South Asian countries which together handle a large proportion of the supply of narcotics to Europe and or narrottes to Entope and the US have agreed to co-operate on a series of measures almed at curbing production and distribution of

They have also started an initiative to curb terrorism and are moving slowly towards co-operation on trade and other economic aspects.

the start of the second two-day active start of the South Asian Association for Regional Cooperation in the southern Indian city of Bangalore.

In addition to India, the other countries are Bangla-desh, Bhutan, the Maldives, Nepal, Pakistan and Sri Lanka.

Pakistan is worst hit by the drug problem because it provides a distribution route both from Afghanistan and its own production areas in the far north through the southern port of Karachi. Domestically it has suffered with a rapidly rising number of addicts up from a small of addicts, up from a small number three years ago to well above official estimates of 400,000.

India and Nepal are also on distribution routes and Bangladesh has recently discovered its southern port of Chittagong is being used as an outlet, partly because of a clampdown in the main Golden Triangle area of South East Asia.

Pakistan is to take the lead for the summit in drawing up a 10-point programme of work which, for the first time, is intended to include the countries exchanging information on trafficking and abuse.

In the longer term the countries have agreed to harmonise legislation, to switch production areas to other types of farming, and to confiscate and forfeit drug

On terrorism the countries on terrorism the committee have agreed to abide by UN resolution 2625 which Mr Rajiv Gandhi, the Indian Prime Minister, yesterday interpreted as meaning that "each of us must do nothing to condone terrorism or give aid and comfort to terror-

India now has to decide whether this means it should evict leaders of Tamil extremist groups from 8rl Lanks living in the southern

nce an initiative teday the summit ends.

## Iran arms deals may harm US links with Europe, warns Italy

the Italian Defence Minister, warned yesterday that revelations about secret US arms supplies to Iran could harm US relations with its European

relations with its European allies, especially Italy.

Mr Spadolini said that it the accusations against the White House were proved, including the export of weapons through Italian ports, "there will be no shortage of political problems between the US and Europe and between America and Italy."

His reaction is significant because he has long been the strongest defender of US policies in the Italian administration. He caused a political crisis last year when he resgned over the handling by Mr Bettino Craxi, the Prime Minister, of the Achille Lauro hijacking affair which caused open conflict This emerged yesterday at

affair which caused open conflict between Rome and Washington. Reports that US deliveries of arms to Iran have been channelled through the Italian ports of Talamone and Ortono are causing the Government grow-

ing embarrassment.
The Radical Party has called for Mr Spadolini's resignation, claiming that the Government and the Secret Service must have known about the ship-

MR GIOVANNI SPADOLINI, Party, anxious to defend its the Italian Defence Minister, leader, has called for a parliainvestigation mentary investigation in possible Italian involvement.

The impression of disarray at the top of the Government and that there is more to be learned from the Italian side has been strengthened by Mr Craxi's request to five ministers to be told everything they know about

the affair.

Mr Spadolini, in remarks to journalists during a flight to Saudi Arabia, which were published yesterday, denied any knowledge of covert arms.

But some of his replies were ambiguous and seemed directed at placing responsibility for any Secret Service involvement on

Mr Craix. He stressed that if any arms for Iran had originated from US bases in Italy, this was an "improper use" of Nato facilities.

• Mr Yasuhiro Nakasone, the Japanese Prime Minister, joined in secret moves to try to secure the release of US hostages held by pro-franian groups in Lebanon by sending two special nd the Secret Service must envoys to Tehran, the massave known about the shipsents.

Mr Spadolini's Republican Leonom by senting two special to the spec

## Moscow to ease path for private enterprise Sandoz

limited private enterprise by individuals whose activities have hitherto been illegal. The purpose of the legislation, details of which have not been disclosed, is to allow people using their own labour to operate legally to provide ser-vices, or to manufacture special at high cost. wrote articles produced in inadequate quantities by the state.
This could allow individuals

to open cases, repair shops and possibly operate taxis. The Government has had difficulty, however, in drawing up legislation which will allow indi-

Assad proposes

define terrorism

PRESIDENT Hafez al-Assad

of Syria said yesterday an in-

set up to define and combat

terrorism. He challenged the

imposed measures on Syria fol-

in the attempted bombing of an Israeli airliner, to take part.

The committee could include

representatives of the European countries, the US and the

Soviet Union as well as the Arab nations, he said. Syria

would co-operate with the com-

of practising "state terrorism" he pointed also to "acts of

rally of thousands on the anni-

versary of his takeover in Syria

that he was "astonished" at the

support by European countries

Accusing the US and Britain

by Israel, and told a

world body to

By Louis Fares in Damascus

THE SOVIET Parliament will vidual or co-operative labour should introduce a progressive today consider a law allowing but still prevent businesses tax on their earnings. The plots which take up 8 per cent limited private enterprise by employing other people or highest existing rate of tax is of the land and have an annual individuals whose activities what it considers black market 13 per cent.

At the moment, many services such as house repair, tailoring and car maintenance can only be obtained through

The Supreme Soviet, the Soviet Parliament, may either approve the law or pass it on for expert consideration. Soviet economists have argued that if

Supporters of the law argue that such limited private enter-prise is not undermining socialism. Mr Alexander Levisociansm. Ar Alexander Levi-kov, economics editor of the daily Literaturnaya Gazeta, wrote recently that in East Germany "two-thirds of ser-vices are provided by handicraftsmen. Parallel with the state-run service, there are 82,000 private enterprises and 3,000 co-operatives."

output of Roubles 21bn (£21bn). Although the area used is not very large, the private plots are labour intensive, growing potatoes, vegetables and fruit or rearing cows, pigs and sheep.

Reuter adds: Mr Mikhail Gorbachev yesterday called for a powerful leap in industry to improve product quality and woo Soviet consumers away from a preference for "made in the West" labels. He was workers making high incomes 3,000 co-operatives." in the West "labels. He was from individual work can The most common form of speaking on the work of a new operate legally, then the state legal private enterprise in the quality control inspectorate.

## **OECD** labour ministers to hold talks on cutting unemployment

BY GEORGE GRAHAM IN PARIS

LABOUR MINISTERS from the Instead, the emphasis is being therefore being channelled industrialised nations meet placed on ways of improving largely to the benefit of those here tomorrow to discuss ways the structure of the labour mar-already in work. US and Britain, which have both

The meeting, to be chaired by Mr Ruairi Quinn, the Irish minister, takes place against the background of renewed pessibackground of warv Western Euro.

Akthough the labour force will grow more slowly over the next ten years in many countries, officials still believe that remism in many Western Euro-pean countries about the pros-pects for cutting unemployment, despite steady economic growth.

The Organisation for Econo-The Organisation for Economic Cooperation and Develop 1979 levels would require an inment, which is hosting the crease in jobs of around 14 per meeting, expects output in the cent a year in the US, they estimulate the confidence that the same sort of growth would be confidence that this will be needed in Europe, where emencing to reduce the level of ployment has been virtually unemployment significantly. The Static since 1979. 14 members are expected an estimated to 1 per per meet an estimated to 1 per per meet an estimated to 1 per per meet an estimated to 1 per meeting to 2 per meet an estimated to 1 per meeting to 2 per meeting to 3 per

hift away from the belief that

of reducing unemployment and ket so that more jobs are improving job creation. created for the same rate of

ducing unemployment to more acceptable levels will require rapid rates of job creation.

Restoring unemployment to

Officials want ministers to examine how workers' deferred pay, especially in pen-sion funds with workers' representatives on their boards of

trustees, can be used to contribute to more dynamic employ-The Organisation also wants labour ministers to shift their welfare state policies in re-apouse to the change in the nature of unemployment. Traditional programmes, aimed mainly at income protection during a transitional period be

under threat, officials feel.

tween one job and another, are

## chief 'will not quit'

By John Wicks in Zurich MR MARC MORET, the chairman and managing director of the Swiss chemical concern Sandoz, has said the has no intention of resigning because of the fire at the beginning of

the month at a factory belong-lng to the company.

Chemicals escaped into the Rhine causing large-scale pollution and serious criticism of both Sandoz and the Swiss authorities. There were demon-strations at the weekend in

Basie. Mr Moret said that his resignation would be the easiest way out." He would, instead, carry out his duty and "repair the consequences of the dis-

In a newspaper interview, he said that neither he nor company experts could yet estimate the loss to the company which would resul from the fire. However, he stressed that damages would pose no problem for Sandoz, regardless of their extent

He denied that the company had saved money on safety pre-cautions in connection with a corporate cost-reduction pro-gramme. Safety had not been affected, he said.

#### Shamir denial over Vanuum

ISRAELI Prime Minister Mr Virtheir Shamir said vesterday israel did not break any British laws in bringing nuclear tech-nician Mr Mordechai Vanunu nome, Reuter reports from Tel

Speaking on Israel Radio he

Britzin has been pressing Israel to explain how Mr Vanunu reached Israel after passing alleged nuclear secrets to a London newspaper.

#### France rules out military intervention in Chad

BY PETER BLACKBURN IN LOME

FRANCE has ruled out military intervention in Chad following fresh fighting between the forces of former rebel leader Mr Goukouni Oneddei and the Libyans in the north east of the

country.

Speaking at the end of the Franco-African summit in Togo at the weekend, President Francois Mitterrand said France would not be " dragged along ... there is no question of French-military intervention north of the 16th parallel."

He confirmed that President

Hissene Habre of Chad had apparently sent forces to help the former rebel leader. President Habre described the situation in northern as "dramatic," alleging that the

Libyans were destroying entire villages in a policy of "effective genocide." "We shall accept any helpeven from the devil, even from the Soviet Union to recover the north," President Habre

He said he was disappointed by the French decision not to provide air cover or other military aid above the 1983 partition

that a frontal assault in the north was hazardous and probably unnecessary in view of the gathering political momentum in President Habre's favour.

President Habre said the former rebel leader Mr Oueddei had completely cut links "with Libys and joined forces with the government, This reconciliation meant the pretext for continued Libyan presence in northern Chad had disappeared, he said. Mr Oueddet is under hospital

guard in Tripoli after being wounded in a shoot-out with Libyan soldiers last month. The mainly off-stage talks on Chad at the summit have over-shadowed President Mitterrand's renewed call for a Marshall Plan to help promote African

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# helicopter engine

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

US has taken a full manufac-turing and marketing licence for the US and Canada on the Anglo - French Rolls - Royce Turbomeca RTM-322 helicopter

It has held an option on these rights in the engine for some 18 months, during which it has stiudied the engine both technically and economically. The Pratt & Whitney decision to exercise its long-term rights on the engine demonstrates its confidence in its market potential.

Mr Bob Wolfe, Pratt & Grant Sheet Seahawk and AH-64 Apache, while in Europe possible applications include the Agusta A-129, the prospective NH-90 Nato helicopter for the mid to late 1990s, and the Anglo-Italian EH-101.

"We see a large military market potential in North America for this engine and we are committed to making the

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PRATT & WHITNEY of the several North American military helicopter applications, and meets all the Government's technical requirements as

US potential applications include power for the UH-63 It has held an option on Blackhawk, SH-60 Seahawk and

confidence in its
potential.

Mr Bob Wolfe, Pratt & are committed to making the
Whitney's vice president for
small military engine programmes, said: "It's a very
grammes, said: "It's a very
competitive candidate for Wolfe,

# Pratt & Whitney to build and sell R-R Sarney's main supporters heading for poll triumph BY INO DAWNAY IN RIO DE JANEIRO THE BRAZILIAN DEMOCRATIC The only question marks Brizola, a charismatic populist The only significant governors strategy. But he prove would also e

Movement (PMDB) — the largest party in Brazil's governing coalition—yesterday looked on target for a triumphant victory in gubernatorial and congressional elections. After relatively trouble-free

politing on Saturday, the PMDB seemed set to win as many as 20 of the 23 contested governorships, routing the right-wing Liberal Front (PFL) and Democratic Social (PDS) parties even in the traditionally consequently appropriate the contest of the political contest.

parties even in the tradition-ally conservative north-east. win clear majorities in both the Chamber of Deputies and confident that the PMDB would write a new constitution.

The only question marks brizola a charismatic populist and longtime presidential hope-trial states of the south-east—ful, has launched the only the so-called Bermuda triangle serious attack on the policies

ernorship, Mr Wellington Moreira Franco has fought an impassioned campaign against Mr Darcy Ribeiro — candidate of the left-wing Democratic Workers (PDT).

where many political and government of President ambitions have foundered in Jose Sarney.

For the Government, eyes were most closely focused on Rio de Janeiro where the PMDB candidate for the government, Mr Wellington Moreira France has donnet and a polling station survey suggested yesterday that Mr Moreira would win a narrow victory, though the result is still unclear. In Sac Paulo, Mr Orestes

Quercia, PMDB candidate for governor, had established a substantial lead over the entre-preneur Mr Antonio Emirio de Moraes and former right-wing The PDT, led by Mr Leonel governor, Mr Paulo Maluf.

trial state second only to Sao Paulo in population. But this is unlikely to cause much anxlety as the party's candidate. Mr Newton Cardoso, was a highly controversial and contested choice while his PFL

rival. Mr Itamar Franco, com-

Mr Ulysses Guimaraes, PMDB constitution. president, said yesterday that the party would continue to the result is officially give its firm support to the sarney government and its anti-inflationary economic expected to sit until February.

The only significant governor-strategy. But he said the ship the PMDB looks likely to party would also expect the lose is Minas Gerais, an indus-Government's backing for its party would also expect the Government's backing for its policies of progressive change.

In fact, the PMDB is a diverse coalition of political opinion, ranging from conservative to hard-left. Mr Guimaraes's main task now will be to instil sufficient party discipline to unite his supporters around a common position on the new

#### Peter Ford in Managua on the trial of US airman Eugene Hasenfus

## Manna for the Sandinistas

American fiyer Eugene Hasenfus, which ended here on Friday night, offered the Sandinista government an ideal opportunity to illustrate its international case that it is fighting not a civil war with "freedom fighters," as President Rouald Reagan would have it, but a defensive war against mercenaries hired by the US Central Intelligence Agency.

"Hasenfus for speculation. The court sentenced him to 30 years, but few observers expect him to serve handle sand-file Sandanistas' thirst for retribution.

"It will take a political price for his return," a political price for his return," Hasenfus was "a victim" of predicts one Sandinista official privately, suggesting that such privately, suggesting that such a situation might arise within a year or so.

"We don't gain anything from keeping [Hasenfus] (Hasenfus) inside for 30 years," the official points out, "and we've already and-file Sandanistas' thirst for network had been privately organised.

"It will take a political price for his return," a political privately, suggesting that such involvement in the Contra a year or so.

"We don't gain anything from keeping [Hasenfus] (Hasenfus) inside for 30 years," the official points out, "and we've already and-file Sandanistas' thirst for network had been privately organised.

Perhaps most importantly for the Government here, Mr Hasenfus's capture offered evidence to support Sandinista a situation might arise within and-file Sandanistas' thirst for network had been privately organised.

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"We don't gain anything from keeping [Hasenfus] inside for 30 years," the official points out, "and we've already and file Sandanistas' thirst for network had been privately and-file Sandanistas' thirst for network had been privately and-file Sandanistas' thirst for network had been privately and-file Sandanistas' thirst for the file Sandanistas' thirst for network had been privately and-file Sandanistas' thirst for

"Hasenfus fell out of the sky like manna," one Sandinista official said, and the authorities made the most of their captive from the moment that Justice Minister Mr Rodrigo Reyes, prosecuting, announced that "this is not just the trial of Hasenfus; it is the trial of the United States Administration."

Since Mr Hasenfus, a 45-yearold unemployed construction worker, confessed on US teleworker, comessed on US tele-vision that he had been running guns to the Contras and that he believed he had been working for the CIA, the out-come of the three-week trial was never in doubt.

But the proceeding of the "Popular Anti-Somosista Tri-bunal" (TPA), followed avidly by the international press drove home the Sandinista message to the North American public that Americans are dying or ending up in jail in this

How long Mr Hasenfus will stay in prison is still a matter

BRAZILIAN ELECTION

Mr Reyes now insists that "there is no judicial, moral or political reason" for pardon-ing Mr Hasenfus. "The ing Mr Hasenfus. "The Nicaraguan people are aware that Hasenfus is a mecenary who came to sow terror in Nicaragua," he argued, "and they think he should serve his judicial sentence. "If you say that the war will stop in return for Hasenfus's pardon, then the sandinists could hardly have expected to make more political capital from the lowly cargo handler they captured. His statement that "I came here as a job, not as a soldier; this is not my war" illustrated that it is defending itself against "merthat the war will stop in return for Hasenfus's pandon, then we'd pardon him tomotrow," he added, "but the war is going to go on."

The Managua's insistence that it is defending itself against "merwed pardon him tomotrow," canary bands "waging an illegitimate war.

At the same time, his claim

observers here believe, depends on what the Nicaraguans can get in return for his release after he has served

a situation might arise within a year or so.

"We don't gain anything from keeping [Hasenfus] inside for 30 years," the official points out, "and we've already got much more out of this affair than we had hoped for." The Sandinistas could hardly

Mr Hasenfus's future, most to have been working under the supervision of two CIA agents tied the Contra supply aguans can get in return for operations directly to Washinghis release after he has served ton, despite US disclaimers

US invasion have been voiced repeatedly since the US Congress approved \$100m in aid to the Contras, a move that President Ortego denounced as a declaration of war,"

Setting President Reagan's ill-conceived desire to topple the Sandinista Government along-side the end of the Congressional elections, and the Presidential campaign still a year off, Managua officials believe Washington now has a "window of opportunity" for a military



Mr Eugene Hasenfus, above, the American airman shot down delivering guns to US-backed Contra rebels, being sentenced by a Nicaraguan court to 30 years in prison. Mr Hasenfus, 45, said he would appeal, and his wife Sally, also pictured, pleaded for mercy from the left-wing Sandanista government.

adventure.

Contra leader Arturo Cruz recently suggested that the US might well commit troops in support of its Central American allies, should border tensions

Connict.

That prospect is never far away, given the presence of Contra camps just inside Hondra duras, and the Sandinistas' occasional forays across the border to strike at the rebels.

Delieve, depends very much on how it estimates the military costs.

Mr Hasenfus and his three dead colleagues may have been only the first casualties in a preliminary skirmish.

between Nicaragua and one of its neighbours lead to outright conflict. Whether Washington would risk an invasion, Sandinists planners believe, depends very much on

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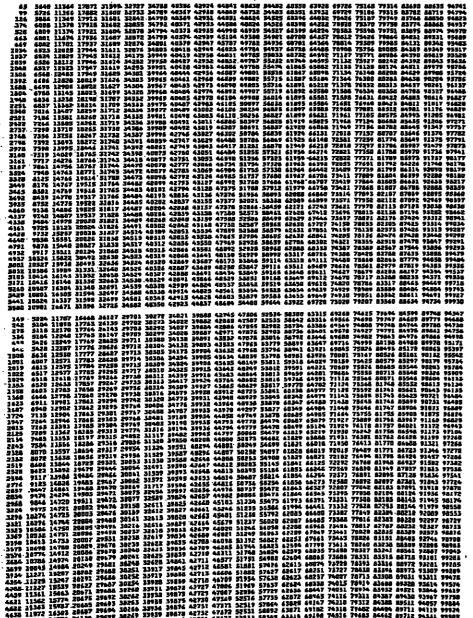
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240 per cent there is no pros-pect of survival without govern-

of British Shipbuilders, says it is vital that the ceiling is

at least 38 per cent in the short term. Anything less would be unrealistic, and would

force member states to let yards go out of business, he

company says, Far East yards

are likely to maintain un-

realistic capacity in order to

force Europe out of the market.

Mr Milne says Europe must
move sharply away from its
"fixation" with holding down

subsidies and cutting capacity, and accept that in the long term the problems of the

industry can be solved only by

international agreements to bring supply and demand back

Most forecasters agree that the market will improve in the

early 1990s, when shipowners will need to begin replacing

around haif the present world

fleet. If this happens, there is hope that European ship-building could survive in the

long term on a commercial basis.

Ministers tomorrow is whether Europe can afford to keep ship-

The question facing Industry

Mr Peter Milne, a director

ment help."

EUROPE'S shipbuilders will be waiting anxiously by their tele-

phones tomorrow for news of a

decision in Brussels which many believe will signal whether or

not the EEC stays in the in-

shipbuilding.

creasingly difficult business of

The Council of Industry

Ministers will have before it

complex proposals from Mr Karl-Heinz Narjes, the West German Commissioner for In-

dustry, and Mr Peter Suther-land, the Irish Competition Commissioner, for a new regime

strategic importance of ship-building is sufficient to justify the level of subsidy which will

be required to keep the indus-

try alive.
The new regime would

ber states are required progressively to reduce subsidies

to shipbulkling—a policy which has left European yards unable to compete with their major

Korea. As a result European

capacity has been cut be 60 per

cent since 1975, to a point where the EEC holds only 18 per cent of the world market.

In the same period, Japanese

output has been cut by less than 30 per cent, while South Korea has increased capacity

by 240 per cent as part of a drive to establish an industrial

base. The result is a 40 per cent surplus in world capacity,

a similar cut in ship prices, and a game in which all the

npetitors in Japan and South

for shipbuilding subsidies,

The problem facing politicians is whether

## Manila prepares for strike in protest at killing

banks for a new debt re-scheduling package of \$9.400

(£6.57bn), covering debt matur-

ment would freeze payment on principal of about \$3.6bn,

which starts maturing in 1987, if no rescheduling agreement was reached with the banks before next January 1.

Negotiations between the Philippines and the advisory committee of the creditor banks, which number more than 480, were suspended in

New York two weeks ago when

there was no agreement on the

spread and term of reschedul-

Philippines would have no

choice but to declare a uni-

lateral standstill on repayment

of principal if its proposed package was rejected by the

The Philippines is seeking terms comparable to those granted by the banks to Mexico

which chiefly involve a maturity

of 20 years with seven years' grace period and a spread of 12 over Libor.

Also proposed to be covered by Mexico-like terms are \$5.80n in loans maturing

between 1983 and 1986 which were already scheduled in 1985 for 10 years, with five

Mr Ongpin warned that the

MANII.A was yesterday bracing itself for a general strike today. called in protest at the murder of a left-wing activist last week. At the same time police were continuing to search for a Japanese businessman abducted ing between 1983 and 1992.
Mr Jaime Ongpin, the
Finance Minister, said on
Saturday the Aquino Governon Saturday

The strike was called by the KMU labour trade union, whose chairman, Mr Rolando Olalia, was killed last Thursday.

The union and other left-wingers sympathetic to Mrs Corazon Aquino, the Philippines President, have blamed forces loyal to Mr Juan Ponce Enrile, the Defence Minister, for the killing. They have pledged to continue the strike until he is removed.
The Japanese business exec-

utive, Mr Nobuyuki Wakaoji, was kidnapped after playing a round of golf near Manila at the weekend. He is the manager of the Manila branch of the Mitsul trading company, which was among 11 big Japan-ese companies which pledged to raise investment in the Philippines during President Aquino's visit to Tokyo last

It is believed Mr Olalia's murder and the kidnapping of Mr Wakaoji are linked. The two incidents are suspected to be the work of opponents of Mrs Aquino bent on destabilising

Meanwhile, the Government has toughened its stance in years grace at a spread of 1 negotiations with creditor over Libor.

#### **Delay over Gorbachev** visit is blow to Nakasone

By lan Rodger in Toliyo

THE likely postponer of a visit by Mr Mikhail Gorbachev, the Soviet leader, to Japan is a blow to the prestige of Mr Yasuhiro Nakasone, now in his last year as prime minister.

Hr Nakasone had been hoping that Mr Gorbache would visit Japan in January, but Mr Edward Shevard-nadze, the Soviet Foreign Minister, told Mr Shinichi Yanai, the Japanese deputy foreign minister, who was in Moscow last week, that the Soviet Union was still unable to set a date.

Japanese Foreign Ministry officials said the Yanai visit was the last opportunity to agree on a January date because of the time needed to prepare for a visit. Mr Nakasone has set improvement of Japan's relations with the Soviet Union, still soured by the lack of a peace treaty after the Second World War, as one of his main diplomatic goals.

The Prime Minister, whose parts wave him an except

party gave him an exceptional one-year extension in office following his landslide election victory in July, was also counting on the Gorbachev visit to increase his

prestige.

Talks in diplomatic circles about a possible return trip by Mr Nakasone to Moscow next summer has now been replaced by speculation that the Prime Minister will retire before the end of his extended term next October. Japanese and Soviet officials

agreed in principle last

January on a Gorbachev visit. However, scheduling has proved difficult. For the Japanese, the main issue on the agenda for such a visit would be the return of the seven islands north of Hokkaido occupied by the Soviets in 1945. That is the only obstacle to the gigning of a peace treaty between the

firmly establishe

two, they say. Japanese Foreign Ministry officials have made clear that they would expect to see major progress on this issue if Mr Gorbachev came to Japan. The Soviets have maintained, and they repeated to fir Yanai last week, that post-war boundaries have been

## THE SHIPBUILDING CRISIS " SHEPBUILDENG OUTPUT NEWBUILDING PRICE OF 30,000 DWT BULK CARRIER (5m)

Kevin Brown on a meeting vital to a European industry

players are building ships at a ried out by A and P Appledore,

The Commission has sug-gested a common subsidy celling of 26 per cent, which compares with existing limits of 20.5 per cent in the UR, 4 per cent in West Germany, and 23 er cent in France and Italy.
The existing limits relate only to direct subsidies, however, while the new ceiling will cover all forms of aid, includ-ing "bidden" elements such as tax incentives to ship-owners. This means that for many yards, a ceiling of 26 per cent could imply a substan-

tial cut in subsidies.
In any event, the proposed ceiling is well below the maximum 40 per cent gap between European costs and world prices identified on behalf of commission in a study car-

the UK consultants.

The shipbuilders have moun-

ted a sustained lobbying cam-paign to convince Ministers that their inability to compete is a direct result of the aggressive expansion of Far East yards into a shrinking market, and not a consequence of in-

Mr Werner Fante, secretary of the lizison committee set up by the shipbuilders to try to influence the proposals, says there is little hope for the survival of many yards unless the subsidy ceiling is set somewhere above 30 per cent.

Most of Europe's ship-builders would prefer to reduce government involvement rather than increase it, he says. building on a life support machine in the meantime. "But at a time when South Korea is increasing capacity by

SHIPPING REPORT Battle to keep shipbuilding afloat

#### Rates for VLCCs set to rise further

By Kevin Brown

RATES FOR very large crude carriers (VLCCs) continued to improve last week leading brokers to forecast further increases in coming weeks.

says.

British Shipbuilders has led attempts to persuade Ministers to declare publicly that the EEC will defend its current market share. In the absence of such a declaration, the Several Japanese charterers were said to be active in the Gulf, where the rate for VLCCs trading to Japan rose to around World Scale 245, compared with around World-Scale 22.5 for similar ships carrying cargoes to the West.

E. A. Gibson, the London shipbrokers, said the number of large vessels available in the Gulf for loading up to the ead of November had been halved over the last week. Some owners were even reported to have pulled out of negotiations for early loadings in anticipan of increased demand in the next few weeks.

The market for smaller ships trading from the Gulf was also said to have firmed. Rates for tankers in the 120,000 tons dead weight class rose to around World Scale 50 for the Red Sea.

In the dry cargo market trade was said to have become more active, with rates rising to \$12.50 per ton for Panamax cargoes from the US Gulf to

#### Party to back Laos thaw

BY STEVEN BUTLER IN BANGKOK

THE HIGHLY Settleave Lev and Highest Party is holding its Pacific region.

first national congress since The Laotian moves, however, first national congress since 1982 in Vientiane, according to diplomats in Thailand.

diplomats in Thalland.

Although major shifts in policy or leadership are not expected, the congress is likely to endorse moves to improve relations with Thailand and to improve trade ties with the cutside moved. Diplomats believe that recent

Lao overtures towards Bangkok result directly from the Vladi-vostok initiative of Mr Mikhail Gorbachev, the Soviet leader, in which he said he wanted to improve Soviet ties with China

THE HIGHLY secretive Lao and throughout the Asiawould need the endorsement of Vietnam, which has 50,000 troops stationed in Laos. Talks between foreign minis

try officials of Thailand and Laos are due later this month, with Thailand expected to agree to reduce trade restric-

The Laotian party congress comes one month before an expected party congress in Hanoi. Diplomats say this timing is a token gesture to demonstrate Laotian indepen-

## Pacific states 'must not retrench' World Economic Indicators

BY CHRIS SHERWELL IN PERTH

NATIONS on the Pacific rim must avoid "retrenchment" in combating economic difficulties, US President Ronald Reagan said yesterday.

He was speaking by videotrading reform. tape from Washington at the opening of a conference in Perth on trade, investment and finance in the fast-growing Pacific basin region.

Mr Bob Hawke, the Austra- Two years ago, Mr Hawke lian Prime Minister, opening said the value of trans-Pacific meeting, said protection-especially in agriculture, was a major obstacle. The international rules on fair trade were being "manipulated and broken" to the detriment of all nations.

phasis on deregulation, more lenges, Mr Reagan said his liberal investment regimes and message was: "Now is not the message was: "Now is not the time for retrenchment." Past reform of the financial system. accomplishments had to be used and said smaller countries in the region were looking to the as a springboard to help jump major economies for action on current hurdles.

More than 400 delegates from Both Mr Hawke and Mr 22 Pacific nations are attending the symposium, which features contributions from ministers Reagan drew attention to major changes caused by economic expansion in the Pacific basin. and senior business and banking executives

The conference aims to high-light the growing importance trade overtook that of trans-Atlantic trade. Mr Reagan, of the Asia-Pacific region, Conciting the Pacific's fast-increasveniently coinciding with the America's Cup yachting event. ing share of US trade, said the region was "leading mankind it is also designed as an opporinto a new age of enterprise tunity to promote trade and investment in Australia, especi-On the region's current chal- ally Western Australia.



TRADE STATISTICS Sept '85 July '86 Ang '86 US (Sbn) 17.707 UK (£bn) FRANCE (FFr ba) Exports WEST GERMANY (DM bn)
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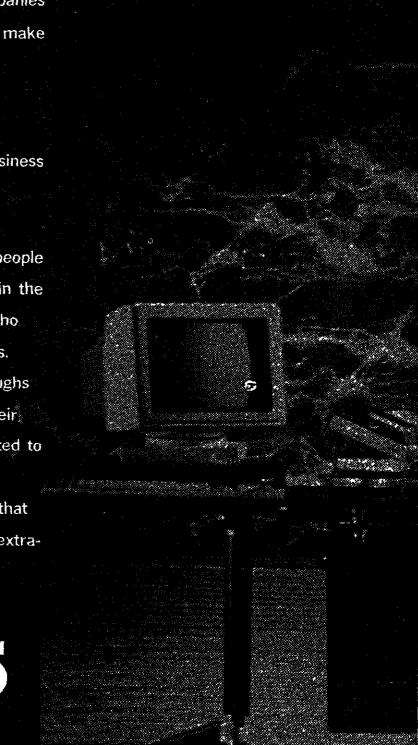
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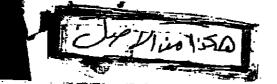
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## **UK NEWS**

## **Dramatic** fall in prices of burgundy

es for

A CONTRACTOR OF THE PARTY OF TH

A DRAMATIC fall of 46 per cent occurred in the prices of the red wines at yesterday's sale for the 1986 vintage of the Hospicos de Beanne – the first drop in a contimping rise since 1988.

This reflected a general view of a moderate though not bad vin-tage and the trade opinion that

red Burgundy prices were already very high.

The leading prices per hogshead (approx 50 gallons) with last years's figures in brackets were the Mazis Chambertin Curusa Madellina Collingan The vere the mazis Chambertin Cu-vée Madelline Collignon FFr 46,000 (56,940) (FFr 76,000), Cor-ton Cuvée Charlotte Dumay FFr 36,000 (FFr 55,000) and Volnay Santenots Cuvee Ganvain FFr 34,000 (FFr 48,600).

The small group of white wines the sman group of white wines fell only 18 per cent partly owing to a saleroom battle between two bidders for the tiny Cuvée Corion Charlemagne Francois Salins FFr 113,000 (FFr 110,000). The second highest price was FFr 76,000 (FFr 116,000) for Cor-ton Vergannes Cuvée Paul Chan-

#### Plan to extend television franchises

By Raymond Snoddy

THE Government is moving towards accepting a three year ex-tension of the 15 independent tension of the 15 independent television (ITV) iranchises in-stead of the two-year extension envisaged until recently. A three-year extension is now

expected to be put forward in an amendment to the 1981 Broadcasting Act in a bill to be intro-duced before Christmas. The Government had been

considering putting ferward a two-year extension while being sympathetic to three years if, as expected, an MP were to put for-

It now appears likely that the bill will stipulate three years from the outset - a period that will offer additional security. ne and profits for the ITV

## Baker may seek to alter teachers' pay package

BY DAVID BRINDLE AND PETER RIDDELL

modifications to the teachers' pay announced three weeks ago.

Mr Baker, however, is known to be concerned that Saturday's agree-England and Wales and most of the unions early on Saturday morning.

Mr Kenneth Baker, the Education Secretary, was maintaining an of the minister were arguing last uncharacteristic public silence over uncharacteristic public silence over night that though he may be relucthe weekend. He wants to give the tant to announce an outright veto of

Commons statement this afternoon. Teachers was one of the two unions Facing a decision which may be which refused to sign the agree-crucial to his future political ambitrucial to his future political ambitions, Mr Baker will have to reconcile the political pressures, not least from Tory MP's and fellow ministers, for an end to the two-year long disruption of schools, with the shortcomings in the package from

shortcomings in the package from his point of view.
Yesterday, leaders of both the two bigger teaching unions made it clear there would be renewed disruption of schools if the minister went ahead with his threat to improve the pull the heads out of the overall pay structure. Justification for this would be the plans to give heads greater control of their own schools budgets, thereby warranting extra responsibility payments.

The other union not party to the agreement is the National Associates.

THE Government is likely to seek pose a deal on the basis of terms he modifications to the teachers pay announced three weeks ago.

The Government is likely to seek pose a deal on the basis of terms he modifications to the teachers pay announced three weeks ago.

Women Teachers, the second high gest of the six teaching unions

Mr Fred Smithies, NAS/UWT general secretary, said in an interview yesterday on Weekend World, the ITV current affairs programme, that there would be no alternative proposals full consideration, and talk to ministerial colleagues, before any announcement. However, the pay of head teachers. to "vigorous" action by his membe if the Government imposed a deal. However, the union is thought un-Labour leaders will seek a House of The National Association of Head likely to act against an agreed set-

Mr Doug McAvoy, deputy general secretary of the National Union of Teachers, said on the same programme that his union would concentrate on winning public support for the agreement, but that disruptive action could follow if the Gov-

The agreement provides for the 400,000 teachers in England and Wales to move on to a revised salary structure through two pay inruption of schools if the minister
went ahead with his threat to imagreement is the National Associaagreement is the National Associaper cent rise offered by Mr Baker. creases, in January and Septe

## Government assures Unionists that accord poses no threat

BY HUGH CARNEGY IN BELFAST

THE GOVERNMENT responded yesterday to Unionist protests

Protestant, struck by a police Land platform.

Rover as it confronted rioters in north Belfast, and an elderly Caprime Minister, said yesterday the

during the night.
In other disturbances on Friday
and Saturday, 27 civilians and 44 police were injured and more than 90 people were arrested.

The main event was a mass rally at Belfast City Hall on Saturday afternoon, addressed by Mr James despite the assurances in it that Molyneaux, leader of the Official Northern Ireland will remain Brit-Unionist party, and the Rev Ian Paisley of the Democratic Unionist

It drew the huge crowds the orgatles with police within sight of the

tholic woman, who collapsed after Government had signed the agree-her house in a mainly Protestant area of Carricklergus was attacked say in Northern Irish affairs for the first time, to try to end violence and reconcile the two communities in the North. "I believe it was right and I believe we must continue it,"

> despite the assurances in it that Northern Ireland will remain British so long as the majority wishes. Mr Brian Mawninney, the Ulster-born Northern Ireland junior minis-

yestarday to Unionist protests against the first anniversary of the Anglo-Irish agreement, which sparked violence in which two people died, by restating that the accord posed no threat to Unionism and would be continued.

The two dead were a 29-year-old of a united Ireland."

The violence at Saturday's rally was exactly what Unionist leaders wanted to avoid, but it illustrated the lack of control they have over the hardline fringes, who are impa-tient at the ineffectiveness of the campaign to bring down the agree-ment. One banner in the crowd read: "We want action, not a rally."

Mr Molyneaux tried to meet this by announcing a planned compre-hensive campaign of civil disobedi-ence," including a withdrawal of all Unionists from statutory government bodies and a bigger rates strike. But measures like this have already been tried and have had

This announcement appears as a matter of record only.



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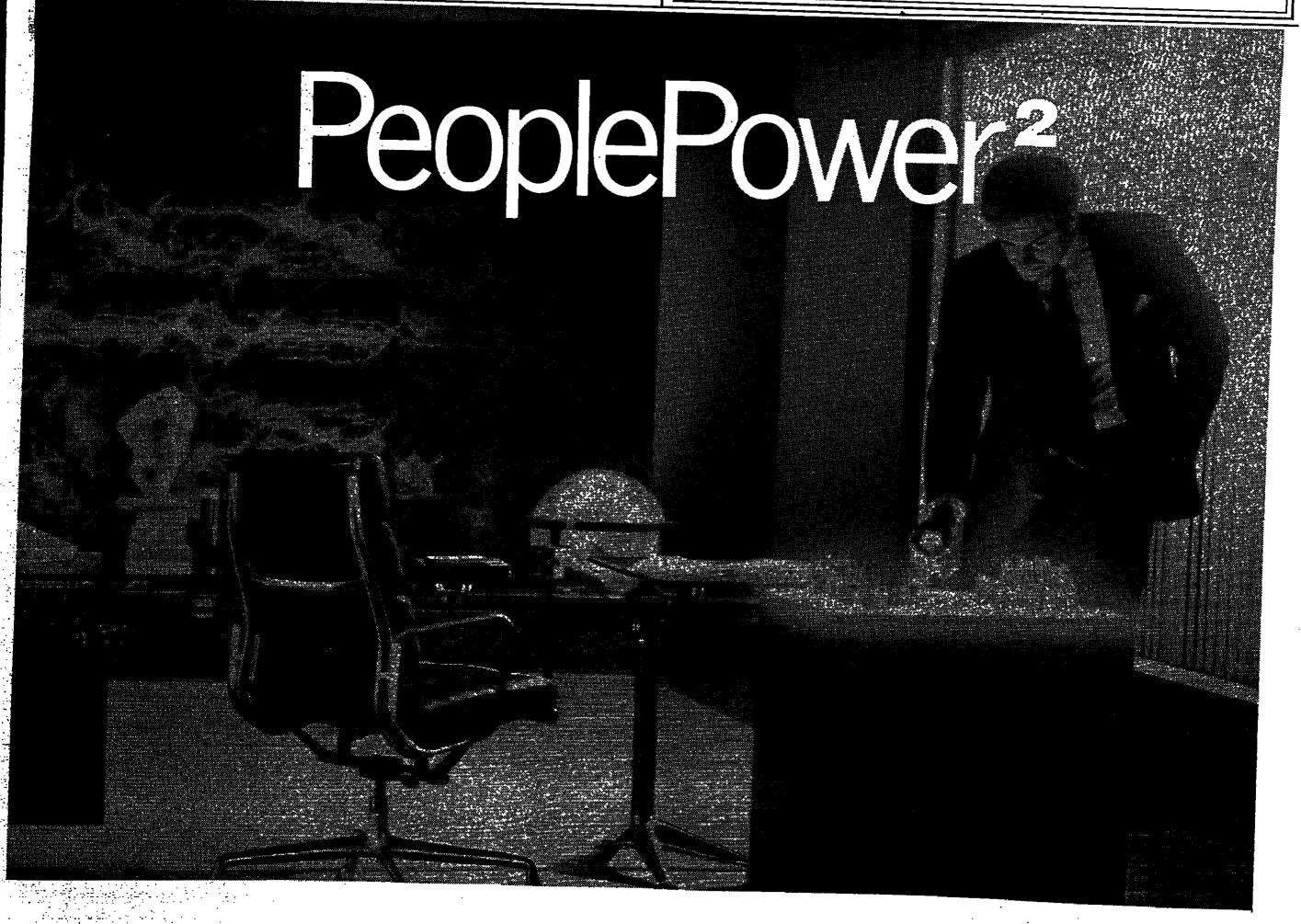
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A SOFTWARE fault slipping through exhaustive London Stock Exchange testing procedures in the weeks leading up to Big Bang main-ly caused the computer failure which forced the exchange to suspend its computerised market price service, Seaq, several times in the first days of the new markets.

Until now, it had been assumed that the exchange had simply - if almost unbelievably - miscalculated by 100 per cent the volume of requests it could expect through its Topic price information service.

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Now it seems clear that if the exchange's computer specialists had suspected the presence of the soft-ware fault and been able to fix it before Big Bang, the system would not have collapsed so embarrassingly under the admittedly huge volume of requests for information in the first few hours of trading. Seaq is the information gathering and processing computer system; pages of information are dissemi-

nated to the marketplace via Topic and some 9,000 Topic terminals. The exchange, in a press statement put out at the end of the first week after Big Bang, said it was "surprising and disappointing" that the likely demand for information had not been identified desired.

several "dress rehearsals" for Big It was certainly surprising to the exchange's staff. So sure was the in-

had not been identified during

ALL BUT 500 of the 240,090 equity bergains contracted in the first ck exchange account period since Big Beng last month were successfully processed through the computerised settlement sys-tem, Talisman, over the week-

tem, Tansman, over the week-end, ready for payment and de-liver of stock today.

The remaining bargains will be settled tomorrow and Wednes-day. Stock exchange officials hailed the virtually trouble-free sing run on Friday evening as confirmation that the cen-

formation services division of the stability of the Topic system that it

market maker pages (Seaq Level II)

on Big Bang day.
Topic, a straightforward viewda-

number of requests for pages of in-

formation it had to meet was

around 2m in a single day. Based on

figures Mr George Hayter had not-ed from the US over-the counter

market system, Nasdaq, on which

Seaq is based, the capacity was

Mr Blair also asks why it is nec-

essary for any British Gas shares to

be sold to foreign institutions, parti-

dling the volumes expected in the new equities markets,

well proven but it had been extensively modified to take acparticipants post Big Bang are able to trade in dual capacity, that is as principals or as agents.

nan in the same way that the market information sys-tem, Seaq, had been tested, and

with 3m requests for information in

and therefore carries out none of

Experts were puzzled because

there was some anxiety that

osible for settling business between themselves and their clients privately, but all business between firms is settled centrally through Talisman, Mr Michael Baker, head of the ex-change settlement service, said the value of the bargains cleared

called "graceful degradation." the first two hours of operation. allowed every user of a Topic terminal access to the critical competing being asked to perform beyond its capacity - but systems experts were nevertheless puzzled by the dra-matic suddenness with which Topic

Topic, a straightforward viewda-ta-type system similar to the BBC stopped working. At the time, it was stopped working. At the time, it was ascribed to a common problem proved page selection, had performed reliably and unspectacular by for six years. The maximum multimed of tasks to carry out first multimed of tasks to carry out first Topic.
In simplest terms, a series of operations (algorithm), which should have moved chunks of information monly experienced in the developfrom one part of the computer's memory to another as it went into overload, left gobbets of data in a critical area leading to systems fai-

systems are conventionally de-signed to fail in a controlled manner in such circumstances, giving the technicians the opportunity to The fault did not show up during testing or the dress rehearsals be-cause Topic had never experienced the connection of 32 separate high take steps to keep the computer - and what it is doing - alive. This is

It is, in fact, very difficult to simulate the kind of situation which Topic experienced on the morning

So the stock exchange went into Big Bang with a system doomed to failure although it did not know it at the time and would have been unable to test for it.

It is exactly this impossibility of testing for all possible faults and natierns of behaviour in complex computer systems that has led many computer scientists to pour scorn on President Reagan's Strategic Defence Initiative, which will lepend on software many times more complex than the stock ex

change's.

Business people may be surprised that "the wretched Seaq sys-There was nothing graceful about the collapse of Topic. Within minutes of reaching its maximum capacity, it failed. What seems to have happened is that there was a fault in the computer program which the collapse of the col controlled graceful degradation in patter professionals.

Tonic. The bandful of faults experienced

tions are much less than is comment of large and sophisticated computer projects.

The central Seeg software, the most critical part of the whole operation, has proved rock-solid. The level of hardware faults is only av-

## Gas shares 'foreign speculators' windfall'

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT has been accused of deliberately underpricing the shares of British Gas in the forthcoming flotation to give for-eign speculators and big institu-tions a massive windfall profit.

Mr Tony Blair, one of Labour's Treasury team, has written to Mr Nigel Lawson, the Chancellor, of the Exchequer demanding assurances that there will be no windfall profits at the expense of the taxpay-

He quotes undertakings given last December by Treasury officials that it would be - in his words - "a breach of their duty to the taxrayer cants among the 8m people who to undervalue shares for the political purpose of attracting investors."

#### Trustee status for Chase Manhattan

By David Lascelles

CHASE MANHATTAN Bank of the US claims to have become the first foreign bank to be authorised as a trustee for UK unit

*ानम्य* ५०% ५०%

cularly since the Japanese authori-ties decided last month to exclude any foreign participation in NTT. He also claims that the shares will be offered so as to generate an immediate premium of at least 15p. Trustees Ltd, and has engaged an experienced UK unit trust administration manager, Mr Peter Wilson, to administra it. This was This, he says, will give a massive windfall profit of at least £360m to large institutions and companies, of rement of the Department which as much as £120m profit will of Trade and Industry. be taken out of Britain by foreign

In the last few days, Chase began to provide comprehensive custodian trustee services for looking for potential multiple apoli-Prolific Unit Trust Ma Insurance Company.

Northern British Co.

#### Companies move faster from unlisted market

THE FLOW of companies moving from the Unlisted Securities Market to a full listing on the London Stock Exchange has accelerated in to enlisting it as their accountant recent months, according to a refor USM flotations, have eventually port by the accountants, Touche opted for the main market. Touche

The USM was introduced, in November 1980 as a junior tier to the established main market, from which young companies could graduate once they felt ready to cope with the more rigorously regulated environment of a full listing.

Thus far 71 companies have gradnated, but a record 10 companies moved up to the main market in the stock exchange in January. third quarter of this year, according to Touche Ross's latest quarterly survey on the USM.

Touche Ross also indicated that many of the companies which have recently approached it, with a view Ross attributes this to concern about potential liquidity problem

for shares quoted on the USM. The USM new issue market is still active, however, although Touche Ross is concerned that the junior market may face a new form of competition from the Third Market - the forum for dealings in the shares of young, unquoted compa-nies - when it is introduced by the

USM Quarterty Survey available from Touche Ross, I Puddle Dock, Blackfriars, London ECAV 3PD.

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#### **UK NEWS**

## Audi importer will cut dealers' margin to curb discounts

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE UK importer of Audi cars dealers who reach prescribed levels from West Germany is to cut the of customer service.

dealer trading margin from 17 per - It has a two-tier structure which cent to 14 per cent as part of a pack-age of measures designed to im-prove the image of the brand, "offer even better customer service, and encourage investment for the fu-

VAG (United Kingdom), the Lon-rho subsidiary which imports Audi and Volkswagen cars, insisted the scheme, to take effect in January, was not designed simply to compensate for the steep rise in the value of the D-Mark against ster-

The reduction in the current trading margin is aimed at severely restricting dealers' ability to offer extravagant discounts to the detriment of their overall profitability and the image of the product," said Mr Peter Cover, VAG's sales and

marketing director.
The 350 Volkswagen-Audi dealers who sold nearly 20,000 Andi cars last year have been told there are The new Audi scheme does away with the dealer's volume sales bo-nus and emphasises the need for

realistic dealer profits as well as providing financial backing for

provides additional payments to assist with the cost of dealer's demonstrator cars and interest relief "provided the dealer attains the high levels of presentation and customer service set down by the importer." Under the terms of the new scheme each dealer is expected to provide at least one specialist Audi

Mr Cover said: "In a competitive market place it is essential we pro-vide our dealers with the right kind of incentive to sell our product, one that not merely encourages sales ment to Audi."

term, the new scheme might cost VAG more if the response from dealers was good. Dealers generally welcomed the

He suggested that, in the long

Mr Jim Greenan, sales manager for Smith Knight Fay, a major VW-Andi dealer in Manchester, said. "It should have been introduced four years ago when the new Audi 100 was introduced. If the network takes the initiative it will put Audi

#### Honda to sell own version of Rover

HONDA'S 160 UK dealers are about to start selling the Ballade saloon. Honda's version of the Rover 200 ange. Austin Rover is building Ballades on the same lines as the small Rover at its Longbridge plant near

The two model ranges have a close visual resemblance but differ in body panel details, interior speci-

The Ballade is to be sold in only 1.5 litre form, in carburettor and fuel injection versions. The Rover 200 range uses either a 1.3 litre Honda engine or Austin Rover's own 1.6 litre 'S' series unit.

Honda's wholly-owned UK impor-ter sees the Ballade as filling a gap left between its small Civic and the move up-market of its larger Ac-cord saloon range.

Honda intends to sell all the 5,000 Ballades a year Austin Rover is to produce, initially through its UK dealer network. This is unlike the Honda Legend executive salom – also being built by Austin Rover and to be launched at the New Year of which Honda expects to sell 4,000 in Europe next year in addi-tion to 2,000 in the UK.

## UK commercial vehicle production falls sharply

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD, the major UK-based commercial vehicle producer, suffered a PRODUCTION 15 per cent drop in output during the first nine months of this year compared with the same period of 1985. The state-owned Rover Group 1985 experienced an even greater pr ction decline: 25 per cent. 22,761 14,627 General Motors-Bedford was hit nearly as badly as Rover by uncer-tainties about its future and the al-68,907

most complete lack of export de-mand. Its commercial vehicle out-put fell by 18.6 per cent. Only one UK-based manufacturer

saw production rise in the nine months. Foden, a subsidiary of Pac-car of the US, pushed output up from 336 trucks to 390.

According to statistics to be published soon in the Society of Motor Manufacturers and Traders Monthly Statistical Review, total UK commercial vehicle production in the January-September period fell by 39,190 vehicles or 19 per cent, compared with the same months last year to 186,823.

Ford's output this year has been set back for two reasons. A new version of the Transit van. Britain's was launched in January and pro-

Land Rover, which has also just completed a major reorganisation to consolidate all its operations on one site. Also, its future was under discussion, during this period. Along with Leyland Trucks, Lend Rover was to have been sold to General Motors of the US but the UK Government withdrew from the proposed deal at the last moment.

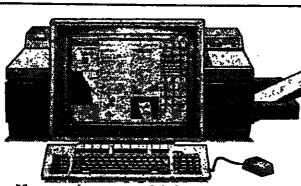
Land Rover's output in the nine months fell by 30 per cent to 15,934. Its sister Freight Rover company, which produces Sherpa vans, was not so badly affected and its output fell by 8 per cent to 13,470.

Production of light vans by Austin Rover fell 29 per cent to 14,059, while output of trucks and buses by Leyland Vehicles dropped 28 per

Doubts about the future of Bedford's medium and heavy truck opoff talks with the UK government over the future of Ford's Cargo GM intended to merge Bedford truck range, built at Langley, Berkshire. These operations were sold in founded and the US group will stop

June to a new company jointly truck production next month. The Bedford Midi vans, based on a Japanese design, did not live up to expectations and Bedford's commercial vehicle output fell 8,707 to 38,148 in the nine months.

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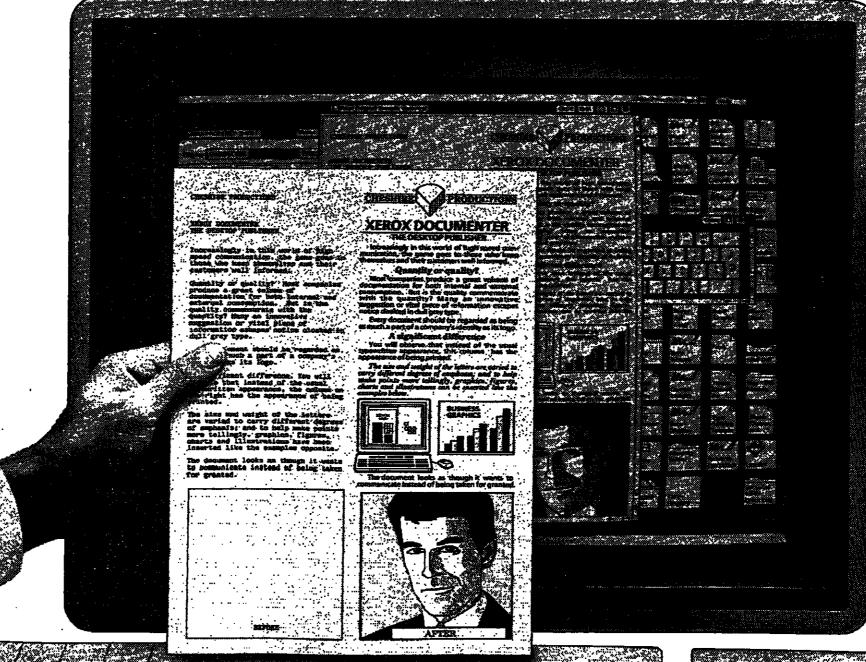
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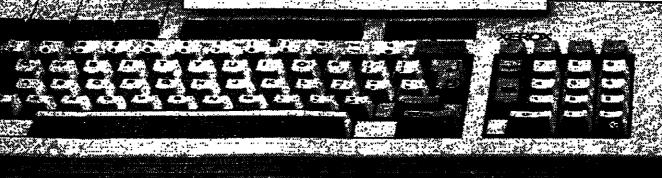
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## Increased European space role sought in 70% budget boost plan

**UK NEWS** 

MINISTERS are considering a substantial increase in Britain's civilian space budget to enable it to participate in several large programmes administered by the 11nation European Space Agency.

The Government is due to publish by Christmas a plan for the decade. Under one option proposed by officials in the British National Space Centre, this could entail spending rising by 70 per cent by 1990, to about £170m a year.

Mr Geoffrey Pattie, the Minister for Industry and Information Technology.

nology, whose responsibilities ining a draft plan devised by the space centre. Other ministers, including Mrs Margaret Thatcher, the Prime Minister, will also consider

space are required if Britain is to play its full part in projects coordi-nated by the Paris-based European Space Agency.

The organisation has already agreed in principle to fund several big programmes, including the de-velopment of a more powerful Ariane rocket, the so-called Ariane-5 project, and a manned capsule for space experiments, called Columbus. Columbus would plug into an international space station, devel-

oped by the US, Japan, Canada and

service in the mid-1990s. Roughly three quarters of the £97m which Britain spent on civilian space science and technology rest of the cash funded purely na-

fourth biggest spender on space ac-tivities, after France, West Germany and Italy. It contributes roughly 12 per cent of the ESA budwhich the country can benefit from other ESA projects in telecommuni-cations and Earth-mapping salai-Britain will also push for support

within ESA for a project devised by British Aerospace and Rolls-Royce to construct a space-going aircraft called Hotol (horizontal take of

Unlike conventional space launchers, Hotol, which could be in service by early next century, would take off from an ordinary runway. The project could, according to British officials, greatly reduce the costs of taking people and materials to and from space.

Britain is urging its ESA partners to back either Hotol or a derivative of the project which would also us ideas for similar vehicles envisaged by France and West Germany, Unget. Mr Roy Gibson, director general of the British National Space Cender outline plans, the UK would be willing to contribute about £1bn to the £4bn that a Hotol-type vehicle

The UK is still undecided on ESA. He also argues that state whether to back a further scheme-funding of space technology helps a French plan to build Hermes, a sit on top of an Ariane-5 rocket. It nology in other areas, such as space Apart from setting out the UK's aims in participating in the Columbus and Ariane-5 projects, the Britesh space plan will discuss ways in Hermes.

UK CIVIL SPACE EXPENDITURE

#### **Building materials sales boom**

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

BUILDING materials sales in Britain are booming, according to a survey from the Builders Merchants Federation, whose members distribute materials worth £5bn a year

The federation's latest survey of its members showed that building materials sales for the year ending in September were up 6.1 per cent The federation is describing the results of its latest survey as indicating a "hoom" in materials sales.

#### Defence delay 'could harm value target?

By Hazel Duffy

THE MINISTRY of Defence (MoD) has been told that the erratic flow of contracts and delays in placing successive orders with defence equipment suppliers could under which is at the base of the Govern-

Mr John MacNaughton, commercial director of Plessey Electronic Systems, addressing a PA Consulting Group defence symposium, said ficials in the MoD's procures executive, headed by Mr Peter Le vene, was one of the factors behind the lack of continuity reflected in

He calculated that senior officials doing highly complex work in defence procurement stayed only an average three years, against eight years for similar seniority in the private sector

However, the British defence industry has certain specific advantages over its colleagues in other countries, Mr MacNaughton said. These included the fact that the "much maligned" procurement ex-ecutive operates under a single umbrella; the Government funds re-search and development to a greater extent than in most other countries, and despite allegations to the contrary, the Government supports

#### GIR-INDIA

ire, has pressed for extra govern-ment cash for space to ensure the

UK retains a strong role within

to promote the development of tech-

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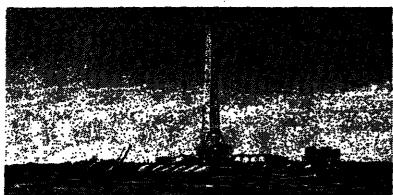
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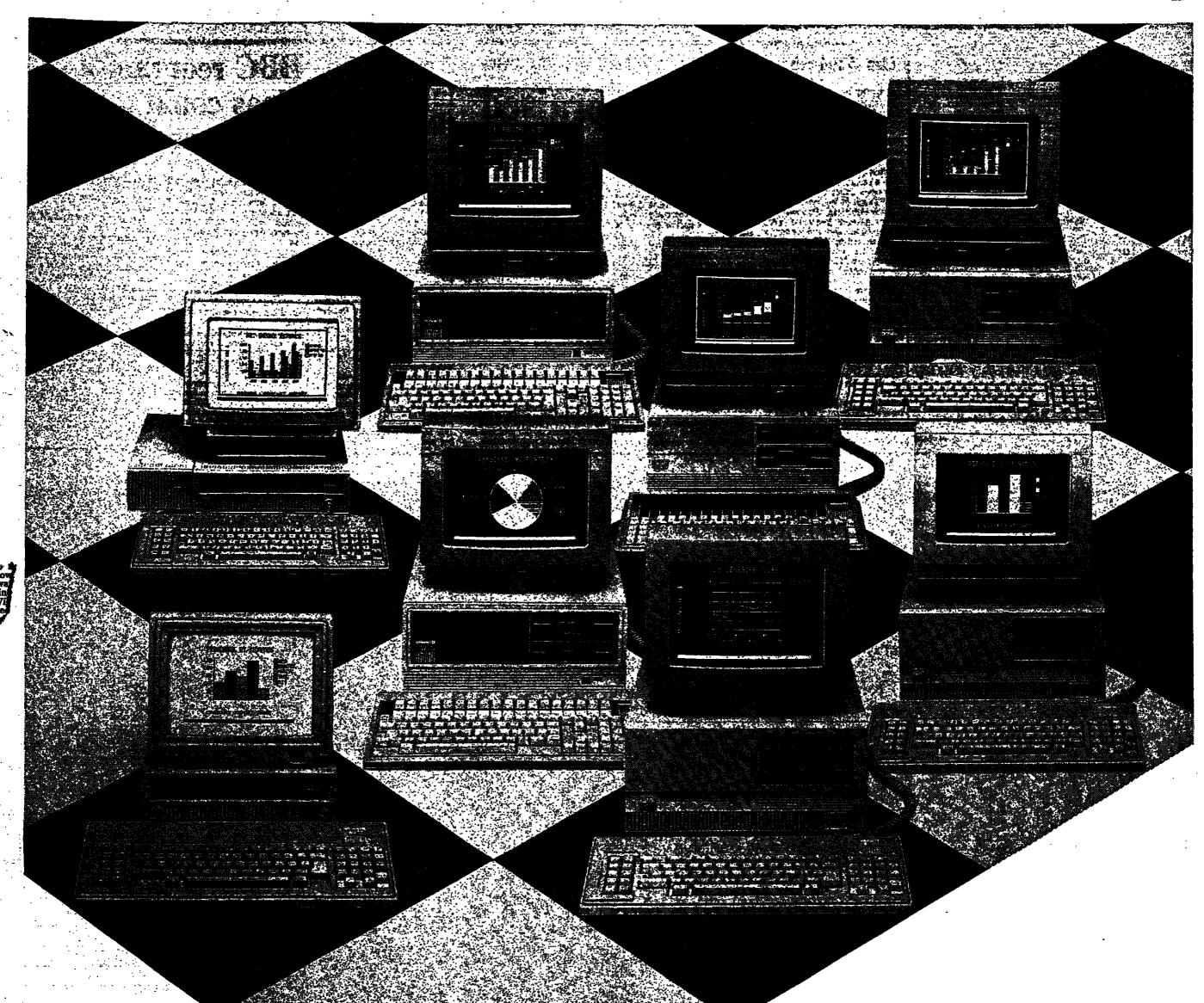
The Mission will concentrate primarily on strengthening IFC's relationship with the Turkish business and financial communities, broadening contacts with Government and helping to develop new private sector business opportunities.

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## **EUROPEAN TRADED OPTIONS**

Tuesday Wednesday Thursday Friday

Only in the Financial Times

Lisa Wood reports on a survey of international companies Companies

## Welsh workers praised

INTERNATIONAL companies investing in Wales are well satisfied can find the suitably skilled workers - according to a survey of 165 businesses employing more than 30,000 people in the region.

30,000 people in the region.

North American, Japanese and
European-based companies were
questioned this spring in the survey
commissioned by Wilvest, a division of the Welsh Development
Agency, from Arthur D. Little, man-

The overall view on performance of Welsh workers was described by 84 per cent as either good or excel-lent with only 3 per cent expressing

Some companies, however, were finding it difficult to recruit skilled people. While more than 60 per cent found the process reasonably easy, nearly 40 per cent had difficulty. Managerial and technical skills were those felt most widely to be in short supply.

The report said: Most employers regarded the country as a whole to be their recruiting ground in these

regarded as a comment on the UK than 60 per cent said their effect on labour market as a whole."

On the issue of productivity, companies were asked to compare the Welsh workforce with those in their native countries and where applicable plants elsewhere in Europe. Over 75 per cent reported productivity at least as high as experienced

Asked to compare unit labour costs with those in their home countries, 66 per cent found costs lower and less than 10 per cent higher. Takiron UK, with a plant in New-port, said: The productivity of our Welsh workers is such that we are Wales than in Japan."

Industrial relations were scribed as excellent by nearly 50 per cent of companies interviewed with only 3 per cent describing them as poor. Companies recognising trade unions accounted for 54 per cent of the surveyed with a fur-ther ? per cent recognising staff as-

Of these companies less than 10

Matsushita Electric (UK), of Cardiff, said: "We have always found our union to be extremely co-operative, to show a strong understanding of company policy and a willingness to work with manage-ment for the good of the company. They are reasonable people.

On their workforces' attitude torards new technology and changes in work practices, over 90 per cent described their Welsh workforce as

what extent they had changed their management style in Wales in order to work with Welsh people. Less than 20 per cent said "a lot" with more than 50 per cent saying hard-

As to the future, the majority of companies said they had firm plans Wales. Those unsure about future plans cited the general economic outlook or the level of demand for their products as the principal fac-

## in Ulster 'lagging'

COMPARATIVE survey of small businesses in South Wales and Northern Ireland has found that Welsh concerns grow faster and serve wid-

The main reason for the discre pancy lies in the ability of Welsh companies to produce better quality products, Dr David Hitchens of the Northern Ireland Economic Research Centre told a Regional Stud-

Research by Dr Hitchens, in conjunction with Dr Patrick O'Farrell of Scotland's Heriot-Watt Universifound that 80 per cent of samles from small companies in Northern Ireland were defective on points of quality while being no heaper than those made by

> Dr Hitchens said the level of skill and the standard of on-job training was lower in Northern Ireland. The result of stronger growth in ment rose by 31 per cent between 1982 and 1986 whereas it fell by 15

## BBC reorganisation ideas could mean cuts in programmes

sation of radio, including ending wave and merging Radio 4 in the evenings with regional radio in Scotland, Wales and Northern Ire-

Other possibilities being considered include carrying World Service programmes on UK domestic radio ind taking some minority parts of the schedule off broadcasting com-pletely and "downloading" to indi-

new of the future of radio by Mr Brian Wenham, managing director of BBC Radio, and submitted to the

BBC Governors last week. The review acknowledges that the total radio audience in the evening is only between 500,000 and 1m and argues that resources should be concentrated more during the day, when audiences are much larger. The average Briton listens to radio

THE BBC is considering a reorganisation of radio, including ending and the cost of BBC Radio output is equivalent to £18 of the £58 licence

The changes recommended in-clude an end to splitting up the four networks into seven to offer extra sport, education and parliament during the day; the extra elements should be put together in a single moved entirely to VHF by 1968, alto receive the programmes, the creation of a joint Radio 4 UK schedule in the evening, combining present Radio 4 programmes with the "national regional" services of grammes for young people on Ra-dio 1 and local radio in England to

THE RESERVE THE PROPERTY OF TH



# Speaking of blue chips.

What he particularly admired about his investment analyst was his apparently unerring farsightedness.

He'd been proved right time and time again. Should he buy those Oyster-Oil shares and trade in his Peach holdings?

Japan's Sunny Electronics were looking particularly bullish. And on the foreign exchange market, everyone was agreed that the dollar could make up lost !

ground in the very near future.

When, a little later, the conversation came round to what he should do with his German car industry investments, it seemed only natural that the subject of his new BMW 535i should come up. As close business friends, there seemed no harm in admitting that the 218 horsepower really did give a performance that was way above most people's expectations. To calm his friend's

growing look of anxiety, he also didn't forget to mention the superlative, road-hugging suspension or the standard ABS anti-lock braking system, which caters for reassuringly safe emergency braking even on a wet surface.

Somewhat surprisingly, the only question that was registered concerned the finishing quality and workmanship of his 535i. Surprising, because up to now

everyone else he'd spoken to had taken that for granted.

Quite right too, he thought. The time passed and, what with all the enthusiasm over his new BMW 535i, the real reason for his visit had taken on a completely different meaning. Speaking of

blue chips...



The ultimate driving

#### THE MONDAY PAGE

## New markets for socialist ideas

#### **JOHN LLOYD**

N NO RESPECT has the Shadow Treasury Secretary, politics of the right won so was the first active politician much ground as in its philosophical and political fusion of liberty and the free market. So successful has this been that the left, by the confession of its more perceptive members, has simply had nothing to put in its place except the pragmatic, true, but in this matter so far inadequate observation that this seems to have increased the sum of economic misery at the sophical simply had nother parameter. "Market another pamphlet, "Market socialism: Whose Choice?" which addressed the issue of the market and decided broadly, that it was "useful."

sum of economic misery at the sum of economic-misery at the poorer end of society.

The power of the idea is readily seen in its adoption by Dr David Owen the Social Democrats' leader. Dr Owen has argued, following Milton Friedman and—closer to home and better written. Enoch Powell—that the market is the most continuous and most democratic process available; a register of Price where the miltonia is a poon that it was "useful." Early next year Mr Roy Hatterly will publish a book called "Whose Freedom?" which will confer semi-official status on these still-scattered ventures.

They have been conducted necessarily on the terrain chosen by the right since for a long time the left disdained the fight, saving it was a phoney. man and—closer to home and better written. Enoch Powell—that the market is the most continuous and most democratic process available; a register of choices far too myriad to control and which, in Mr Powell's words "helps to mould the world just a tiny fraction nearer to people's desires." In practical Opposition politics, the SDF/Liberal Alliance, especially the Liberal part of it, often bauks at the logic of that position but it has not adumbrated any other. This intellectual hegemony so long remarked as to be now an article of faith everywhere faces a challenge. The bout of borrified revision which the 1983 election started inside the election started inside the argument is developing. In Prof Labour Party forced it to pull Plant's essay he argues that itself together fairly rapidly and freedom to choose a course of

have now begun in emerge, either directly from this group of few sptions, of subordination or owing much to it.

Here are examples of how the argument is developing. In Prof itself together fairly rapidly and to allow Neil Kimnock to take powers which had not been available to a Labour leader since the early days of the Wilson leadership. The message became again that you knew Labour made sense; but, except for the considerable claim that if could run the country more humanely than the present Government, no one said why.

Also in the wake of 1983, a group of people set to thinkering. Some 50 leftist intellectuals mainly employed in the politics and philosophy departments of universities and polytecimes, began to hold meetings as the Socialist Philosophere Group and to address the social sum of liberty. His sexually control of such as schooling parents secure and individual of current concerns: he says that by plumpinh for private schooling parents secure and individual of a basic resource. In this case an egalitarian would argue for restriction of such a choice on the grounds that "if exercised (it) would enable an individual to imupose on others a lower value on their freedom by devaluing the basic means they have to pursue their ends."

Put another way, one child's elite education is several educations have now begun to emerge.

Mr Gould Instances his own (Dagenham) constituents, for many of whom "life is a master of sove exitient of sove exitie

or owing much to it.

An early marker was a Fabian pamphlet of January 1984, able to others, of a general feel"Equality, Markets and the ing of powerlessness." They
State," by Raymond Plant, Pro-ado not regard the real freedoms
fessor, of Politics at the Unit I democracy confers as unversity, of Southampton and important. On the contrary
now, a prime moves of the anything perceived as a
group Mr Brian Gould, the new serious intergrepages with these

fundamental rights would be fiercely resisted." At the same-time, though, "the social and economic factors which hem them in and which limit their choices and freedom of action must be reckoned to make them less free at least by comparison with those who have much more

The basis of the argument is clear. Liberty does not consist merely in the absence of restraints (usually defined as restraints of the State) but in restraints of the State) but in the positive possession of positional" and economic goods. Further, this must not just ensure equality of opportunity but begin to deliver some equality of outcome. Real freedom encompasses not just the freedom money can buy but also that which bestows access to services or other resources. The vices or other resources. The fact that the unemployed shipyard worker in Gateshead is free to send his sons to Eton

This, a restated vision of

equality, will meet plenty of non-visionary objections. The right has popularised markets (as in shares) and indi-vidualism. More fundamentally, vidualism. More fundamentally, the economic strategy of the past seven years has produced a large body of citizens of all classes with a considerable stake in not agreeing that egalitarianism is a good thing, since they are enjoying a marked increase in "positional" and material goods, some for and material goods, some for the first time on such a scale. This is the cross-class alliance whose vigour Mrs Thatcher has unlocked. They are con-temptuous of those who patronise or disapprove of them on both right and left.

The Government's calculation must be that there are more people who fear they will do badly under a government which proclaims itself for free-dom and equality, and less badly under one which insists that the very proof of real free-dom is inequality. As Mr Gould and Prof Flant have admitted, and as Mr Hattersley may also confess, much in Labour's past practice and some of its present practice have encouraged that practice have encouraged that view. But if the thesis now being advanced can make some headway against this conserva-tive orthodoxy, Labour may also succeed in changing its practice.

WILLY BRANDT is a different sort of elder statesman — an old man with a vision still smouldering. No German alive has done more to confront and bring his countrymen to terms with the legacy of the Nazi past, and to papel and lead them in an unfinished and perhaps hopeless struggle to build a new Europe, bridging the post-war divide

Yet Mr Brandt has reaped no great reward of public sympathy. Few politicians are more enigmatic, less comfortable, more capable of provoking both loyalty and distrust. His view of the world may be enlightened, but it is aloof from what the majority of West Germans think and feel And because it tends to be that of an external observer—and one who is hotly critical of Bonn's current strong dependence on links with the US—he has laid himself open to charges of prompting a neutralist drift in the Federal

Nearing his 73rd birthday next month, an age when less restless men are content to re-treat into armchairs and rake over the embers of their memor-

over the embers of their memories, Brandt is out travelling the country, making speeches, fighting an election.

A dozen years after he quit as the Federal Republic's first Social Democratic Party (SPD) Chancellor, caught up in a spy imbroglio the full circumstances of which have yet to be explained. Mr Brandt is still at the helm of the SPD. He has been party chairman for 22 years.

too austere to be loved by his party, he is pushing the SPD, out of government for four years, behind Mr Johannes Rau, its candidate to unseat Chancellor Helmut Kohl's Christian Democratic Union (CDU) in the January elections. January elections.

Following the SPD's crushing defeat in state elections in Hamburg a week ago, the incline of what was already an uphill struggle, has now become almost vertical. But Mr Brandt points out polling day is still more than two months away.

Mr Brandt's golden age was at the start of the 1970s when he was pushing through his Ostpolitik — normalising West Germany's relations with Moscow and Eastern Europe, Over the past decade, he has occupied himself increasingly with international affairs, as chairman of the International points out polling day is still with international analys, as chairman of the International Socialists and of the Brandt Commission, which, despite all its good intentions, has failed to prevent a further widening of the North-South gap. But at home the SPD has been wrecked by internal dissent, moving left-wards from the policies it backed with increasing unease hacked with increasing unease under previous Chancellor Helmut Schmidt, but still squeezed by the gain in popularity of the radically anti-miclear Greens ecology party.

Mr Brandt has arguably failed to salle his party behind a set

to rally his party behind a set of coherent policies which would provide a credible alternative to Mr Kohl's accidentprone administration. This will almost certainly be Mr Brandt's last election as party chairman. And many people (including some SPD members) believe that his legacy will be to leave it, as it appeared in Adenauer's time, the natural party of opposition.

Mr Brandt has had his share of completible As a proper

Mr Brandt has had his share of complexities. As a young socialist agitator he fied to Norway from Nazi persecution in 1933, before building up his political career after the war first in Berlin and then Bonn. And he is scathing of the failings of politicians whose view of life and its problems is just too simple.

simple.

Mr Kohl has just provoked a diplomatic row with Moscow by indirectly comparing, in an unfortunate interview last month, the "public relations" skills of Mr Mikhail Gorbachev with those of Josef Goebbels, the Nazi propaganda chief.

"How can a Garman Channel.

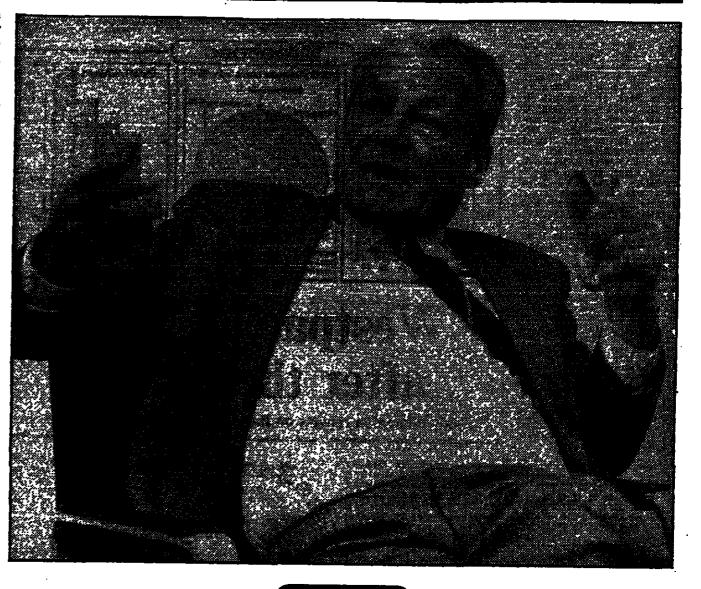
"How can a German Chancel-lor," asks Brandt in what appears to be genuine despair, "describe Goebbels as a public relations man? He was a propagandist of mass extermination, of mass terror—and now, with the expression 'public relations' he is being made to sound harmless."

The immediate task, though, is the January election. Mr. Brandt supports Mr Rau's goal of seeing the SPD become the or seeing the SPD become the strongest grouping in the new Bundestag (Federal Assembly).

Although there has been some suggestion in the past that Mr Brandt and Mr Rau do not always see eye to eye, the party chairman is now backing the chancellor-candidate's firmly-stated view rubing out any stated view ruling out any possible coalition with the

that was available to AGOSI to 1913 Born Herbert Ernst Fraism, December 18





## Relentless pursuit of a vision

West Germany's Willy Brandt talks to David Marsh

stations around the President in Washecause of ington."

The sport of the world? "A good He refutes charges of think possible—move into a good station only trade with each other and fulfil the role which is there to co-operate on pollution and so on, but also—which is what I the SPD role in the world? "A good He refutes charges of think possible—move into a good station of the sport of the sport of think possible—move into a good station of the sport of think possible—move into a good station of the sport over ten years only because of ington."

pressure from the Greens. Mr

Brandt admits that the SPD role in the world? "A good

over ten years only because of pressure from the Greens. Mr Brandt admits that the SPD on the community are on our side when we say that the commendation of the proper in the super-powers in the part is too great, and that final that the SPD is not being because of the super-powers in the super-powers in

talks, Mr Brandt comments: "Is it not today more important to test readiness to disarm, rather than to carry on testing new

is smaller than it should be. The

that was available to AGOSI to challenge the Commissioners' decision was adequate to satisfy the procedural requirements of the Convention. That finding is an open invitation to AGOSI to have a last filing by applying for judicial review of the Commissioners' decision of 1969. Is it too late?

1913 Born Herbert Ernst Fraim, December 18
1933 Fied to Norway, adopted pen-name Willy Branck 1945 Returned to Germany
1945 Returned to Germany
1946 Elected Supporting Mayor of Berlin
1956 Elected SPD chalman
1966 Foreign Minister in coalition government
1969 Elected federal Chancellor
1976 Resigned chancellorship over "spy in the chancellery" affair
1980-1983 Branck terms Fraim, December 18
1933 Fied to Norway, adopted pen-name Willy Branck
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1967 Elected federal Chancellor
1968 Branck terms of the Commissioners of the Convention of t

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## Customs and practice

HOSE goods into this country can hardly complain if their goods are seized by Customs officers and subse-quently forfeited to the Crown. But what about the wholly innocent owner of property whose goods were taken from him improperly by the smuggler? Can he make a claim for the return of his property? Hitherto the English courts have been very unhelpful to claimants against the Customs. And despite a favourable ruling from the European Com-mission of Human Rights in December 1984, last month the European Court of Human Rights, quite unusually, reversed the Commission's ruling in a case brought by a German company, Aligemeine Gold-und Silberscheideanstalt

(ACCST) against the Hated Silberscheideanstalt AG (AGOSI) against the United

Kingdom Government. The English statutory law is clear enough, even if it is overly favourable towards the public interest in the control of the use of property. One section in the Customs legislation provides that goods imported contrary to any prohibition or restriction are forfeitable, and as such may

Any person wishing to claim that the goods are not liable to forfeiture must give the Com-missioners of Customs and Excise notice of his claim in writing within a month of the date of notice of seizure. If a date of hories or seizure. If a notice is given, the Commissioners must take proceedings for the condemnation by the Courts of the seized goods. But the courts will examine only whether the seized goods fall into any of the categories of species mantioned in the law as goods mentioned in the law as liable to be forfeited. They will not examine the question of the owner's innocence in the smug-

owner's imposence in the sing-gling of the goods.

Once the goods have been condemned as forfeited, how-ever, the imposent owner has one last possible remedy. The Commissioners "may, as they see fit, restore, subject to such conditions (if any) as they think conditions (if any) as they think proper, any thing forfeited or seized." Whether a decision of the Commissioners to restore the property to its rightful owner, or to insist on its forfeiture, could be challenged in the courts hay at the heart of the proceedings before the Com-mission and Court at Stras-

In August 1975 two businessmen visited AGOSI at its premises where it engaged in metal smelting and also dealt in gold and silver coins. They asked if they could purchase



JUSTINIAN

1500 Krugerrand at a price of £120,000. The sale was agreed, the coins were loaded into a car bearing UK number plates, and payment was made in the form of an unguaranteed cheque drawn on a English bank. Subsequently AGOSI was notified that the cheque had been dishonoured. The contract

of sale contained a provision according to which ownership of the coins remained with AGOSI until full payment for them had been received by it.
Meanwhile the buyers attempted to smuggle the gold coins through Customs at Dover. The coins were discovered concealed to a serve two in the best of the in a spare tyre in the boot of the car, and were seized. The two men were ultimately prosecuted fully taken their case to the

Luxembourg.
At the time of the smugglers' conviction AGOSI brought pro-ceedings in the English courts claiming that the Customs had no right to seize the Kruger-rand at all, on the grounds that a rule of international law was that confiscation without compensation was unlawful. The Court of Appeal rejected that challenge, but Lord Denning did say that it was entirely a matter for the discretion of the Customs and Excise to consider whether the claim of the German company was so good that the Commissioners of Customs and Excise should see fit to release them: "There is a very wide discretion given to the Commissioners under which

they can forfeit the goods or release them. That may arise at a later time." That time duly arose. Early in 1980 AGOSPs solicitors wrote to the Commissioners of Customs and Excise requesting the return of the Krugerrand. The solicitor for the Commissioners replied laconically in the negative without giving any reasons for rejecting the request. The Commissioners had previously in the court proceedings accep-ted that AGOSI was not impli-

material assistance to the prosecuting authorities in the English criminal trial of the smugglers. They were un-rewarded for their co-operation. AGOSI did not apply for fudicial review of the Commissioners' blank refusal to exereise their discretion favourably to AGOSI. That was because it was considered impossible to go behind the Commissioners' decision, or to base any chal-lenge on the ground that there had been any procedural irregu-larity. Lawyers considered that the Commissioners were not required to give a elaimant any sight to the control bearing any required to give a claimant any right to an oral hearing.
Instead, AGOSI went off to Strasbourg, invoking Article 6(2) of the European Convention on Human Rights and Article 1 of Protocol No. 1 to the Convention.

The European Court, not unexpectedly, ruled that forfeid

expectedly, ruled that forfei-ture did not involve a "criminal charge" and

"criminal charge" and declined of its own motion to consider whether the alterna-tive argument could prevail, The court held that although there were no procedural requirements in the Protocol, it must consider whether the applicable procedures in AGOSI's case were such as to enable reasonable account to be when so the degree of the de taken of the degree of fault or care of the claimant and whether the procedures in question afforded the claimant a reasonable opportunity of putting his case to the relevant authorities. In the result, the court held that the process of judicial review in England

Greens.

The Right accuses the SPD of adopting a policy of phasing "relays what is said or thought the process of judicial review in England" review in England

Asked whether the SPD would not have done better to talk directly to the East Germans' masters in the Soviet Union. Mr Brandt replies that the declaration was sanctioned by Moscow.
"We don't believe that we have found the solution," says Brandt. "But what steps can the Europeans make when they do not always want to wait simply for crumbs to fall down from the table of the great?"

On the progress towards the elimination of intermediate range nuclear weapons in Europe made at the Reykajavík

than to carry on testing new weapons? Why have we talked for years about the zero option for intermediate-range missiles, and then, when signs appear that this could be possible, people suddenly discover how dangerous and dubious that all would be?"

The Kohl Government's over-closeness to Washington means

closeness to Washington means, acording to Brandt, that Bonn's role in the disarmament process

#### **MANAGEMENT**

WHEN Westpac was suggested as the name for the newly merged Bank of New South Wales and the much smaller Melbourne - hased Commonwealth Bank of Australia in 1981 the board was so stumed that it agreed the choice unanimously, according to lan Matheson, the recently retired

deputy managing director.
But if they were taken aback by the name, it was only a momentary pause in a move which was a prelude to a scramble for both domestic and international growth. Since 1981, total assets have increased from A\$18.4bn to A\$49.1bn in 1985.

A\$18.400 to A\$49.100 in 1985, making Westpac the world's 52nd largest bank.
Growth has not come at the expense of profits. Net operating income at Westpac has risen from A\$165m in 1981 to A\$368m let were Now her the head? last year. Nor has the bank's reputation suffered. The once "siumbering giant" is seen as Australia's leading bank at home and, though still establishing its seen as a seen and though still establishing its area. ing itself internationally, is well

regarded abroad. Yet the bank's senior management makes no claim to be spawning another Citicorp. spawning another chiefly.

Instead, their response to the new challenges in domestic and overseas banking has been to concentrate on a small number

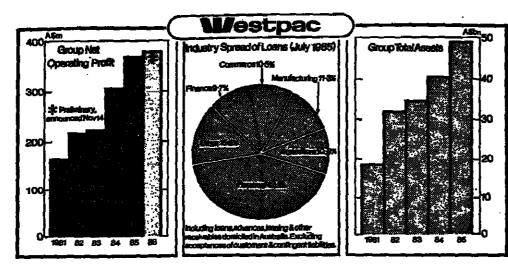
Consultants showed that
Westpac's primary advantage is and trade finance to treasury
its presence in the Western
Pacific—reflected in its name—to Colin Shubrook, deputy chief and its domestic franchise in Australia. Commercial banking and Pacific Rim trade finance remain very much its bread and

butter. Yet Westpac has had to move fast to cater for domestic cor-porate clients demanding increasingly sophisticated finan-cial products as they have begun to expand overseas. Treasury, corporate finance and capital markets are where the challenges of international banking in the 1980s have been

Change began at home with the purchase in July 1984 of the maximum permitted 50 per cent of leading Sydney stock-broker Ord Minnett, a stake which is expected to be bumped up to 100 per cent when rules allow next year. Soon after came full control of Australia's largest merchant bank, Partner-ship Pacific.

capital markets and treasury for us," says Matheson of the internationally has been hampered by the need to restructure in London and to take on new staff in New York and the masterpiece of understatenew staff in New York and the masterpiece of understate-Far East. The bank now has ment," according to White. branch status in Tokyo and

in the past few years to reflect string of casualties. the shift from retail banking



## Westpac: dashing after the niches

Haig Simonian reports on the Australian bank's strategy

to Colin Shubrook, deputy chief manager of the bank's Londonbased European division. To speed things up, Westpac

has gone against past practice and hired senior non-Austra-lians for top field jobs abroad. Its New York head, Tony Walton, came from trade finance David Murison in London is ex-Schroders. Even Philip Deer, the only Australian among overseas branch chiefs, came in from Morgan Guaranty to look after Westpac's Asian interests until his recent return to Sydney.

Parachuting in too outsiders has caused some cultural and management problems. Despite its internationalisation, Westpac is still a fairly homogeneous and predominantly Australian bank which has tended to grow its own managers, often, like its managing director, Bob White, straight from school, "It's been Yet Westpac's growth in more difficult for them than capital markets and treasury for us," says Matheson of the

Westpac is certainly not after a Hong Kong.

Almost half Westpac's London staff has had to be replaced of new ideas but often leaves a



has plenty of takers, especially among staff from a non-Westpac packground Iain Thompson, a chief manager for corporate banking, and Paul McCullagh, head of origination at Partnership Pacific — both are non-Australians — claim to have much more freedom of action than at their previous banks

Yet Westpac's international penetration is still patchy. The treasury side has been exmain dealing centres in London, New York, Sydney and Welling-

"They do ablow line management to manage," says Mike Beales, treasurer of the bank's

ment reflects Westpac's niche strategy. Australian and New Zealand dollars are still very much Westpac's specialities, though it has recently been marking inroads in Ecu trading and forward rate agreements. Buying Johnson Matthey Bankers (JMB) reflected another facet of Westpac's specialised approach. Westpac is already one of Australia's leading gold bullion traders through its Mase-Westpac arm and is highly

The JMB link adds member ship of the London gold bullion ring and could in time lead to a 24-hour gold trading capa-bility. Closer links may also be forged with the bank's

ective in mining development

capital markets side. Slightly more puzzling is this year's other big acquisition of US primary dealer William E. Pollock for \$115m, making Westpac one of only five non-US institutions to own a or institutions to own a primarly dealership. Buying Pollock was very much a leap ahead: the firm will play a pivotal role in expanding Westpac's capital markets activities, especially if the Glass-Steagall Act continues to eroded, according

where but in New South Wales, however, would raise more than thuities whichever way they a few hackles down under.

Bank acquisitions in the US and an abortive attempt to be a september 2 on September The Westpac style, which European division. His depart- and an abortive attempt to buy

a US bank's Asian network have been some of the other ideas mooted to accelerate Westpac's international expan-

Improving Westpac's response time to such opportunities has been a top priority for Westpac, once nicknamed Australia's "slumbering giant." nicknamed White thinks such fleet-footedness will become increasingly

ness will become increasingly important in facing the challenges of global investment banking.

"The challenge now is to mould these [acquisitions] into the bank's overall strategy," according to White. Consolidation is the likely next stage pending the competion of a study by ex-BCG ex-Bain of a study by ex-BCG, ex-Bain independent consultant Jim Lawrence into Westpac's capital markets strategy.
Bringing together

Bringing together Ord
Minnett and Partnership Pacific
into some form of Westpac
Investment Bank, much like
what was done at Britain's
NatWest, is one possibility.
Might there also be some
belated change of heart over
Westpac's decision to steer Westpac's decision to steer clear of buying a British stock-broker? The bank has lagged behind on the equity side as some of its highly entre-preneurial clients have ventured into international mergers and acquisitions.

Picking up disenchanted stockbrokers after post-Big Bang ripples or developing Ord Minnett's position in London —where it has just bought a broker-dealer licence on the London Stock Exchange — are two options.

At least capital constraints have been removed for the time being after the Reserve Bank of Australia's decision to count perpetual floating rate notes (FRNs) as primary capital. Westpac had been lobbying for the change for 18 months, and telexes for September's \$500m perpetual FRN were issued within 10 minutes of final approval of the rule change,

eccording to White. Britain's Standard Chartered Bank-or at least its Asian net-work-has since been tipped as a potential target for a cash rich and growth hungry West-pac, possibly through the good offices of Robert Holmes a Court, one of its major customers.

Yet with Australian corporate taxation some 14 per cent above that in Britain, domicil-ing a merged bank in Sydney would make scant financial sense. Basing Westpac any-

#### A 'participative' style



Bob White: postponed his

THE MAN who more than anyone personifies Australia's Westpac Banking Corporation was due to leave his bright wood-panelled office overlooking Sydney Harbour and start a well-earned retirement at the end of October. But the board decided it wanted more -so 63-year-old Bob White is Staying on another two years.

The decision, made a year ago, has failed to still speculation about who eventually will take over. The debate has acquired added piquancy because, while there is bank-ing talent a plenty, there is no obvious heir, inside or outside the bank. One possibility, deputy managing direc-tor Ian Matheson, was also due to retire in October, and duly went.

If the job goes to an outsider, no one who knows Westpac ought to be sur-prised. Since the group con-ceived its ambitious international strategy to become a world bank, it has overcome the major hurdle of staff re-cruitment largely by attract-ing skills from outside.

None of the structural and strategie changes has happened without careful fore-thought and planning. Anticipating Australia's recent deregulatory trend as far back as the late 1970s, White called in a Canadian consultant to train in-house advisers, hold management seminars and assess individual talents, all in the cause of "unfreezing" Australia's oldest and largest

bank, then called the Bank of New South Wales. At the same time White created a number of task forces to determine the bank's strategy for the 1980s. From that came the expensive but vital 1981 decision to merge with the Commercial Bank of Australia, which was dominant in neighbouring Victoria, in order to establish the platform for a projection internationally.

Not only were old operations like accounting, adver-tising and industrial relations tising and industrial relations to be integrated, but a new bank, complete with staff uniforms, had to be launched. Only the old bank's famous red "W" logo (for Wales) survived. Hundreds of branches, tens of theusands of staff and millions of customers were affected. "Normal service will never be reservice will never be re-sumed," said the ads. "We are rolling our sleeves up."

The identified target, the

fast-growing Western Pacific, was also only part of the story. Just as the bank needed its solid domestic platform, it also wanted high-grade opera-tions in the main international financial centres of London, New York and Tokyo. The central effort to build

up activities in Asia is mean-while going ahead. Apart from New Zealand and the South Pacific region, this is fecusing on Heng Kong—the location of Westpac's Asian headquarters—China, Singapore and South Korea.

Presiding over all of this has been the smiling Rob White—a most unlikely banker even by Australia's standards. Apart from four years during the war, he has now been with the bank for 46 years, having joined in 1940 at the age of 17 as a junior clerk. He tried part-time for a dearse but standard time for a degree, but stopped in fevour of his work at the

The result is that his long practical experience makes him well worth listening to. It was he who campaigned for the entry of fereign banks into Australia, and he, with what he calls his "participa-tive" style of management, who has brought Westpac this

Now his greatest worry concerns the problems of supervision in an era of deregulation and rapid change. That change, he says, is only beginning. "From my perspective, the challenge is not so much how to manage it in the future, but how to pay for

#### **Business** courses

Joint venture strategles. London. January 12 1987. Fee £395 individual + VAT, £355 cach additional participant + VAT.
Details from Frost & Sullivan,
Sullivan House, 4 Grosvenor.
Gardens, London SWIW ODH. Tel: 01-730 3438, Telex 281671. Leveraged and management buy-outs, London. December 10-11. Fee: £517.50 per person. Details from IIR, 44 Conduit Street, London WIR 9FB. Tel.: 01-434 1017. Telefax 01-437 2336. Leadership skills workship, Eastbourne. December 1-5. Fee: 2810 plus VAT. Details from Cherry Bigmore, BIS Applied Systems, 20 Upper Ground, London SEI 9PN. Tel: 01-261 9237. Teles: 919642. Standard conditions of govern-ment stores contracts, London, January 20-21. Fee: £454.25. Details from Miss J. K. Van Wycks, Senting Division. Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue,

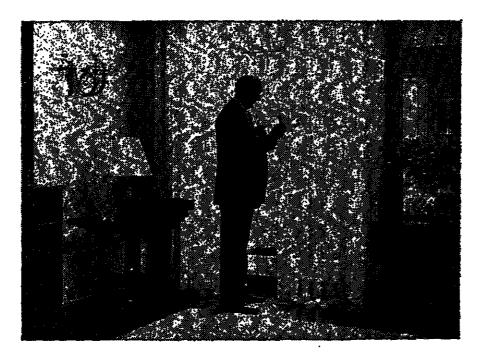
London WCIA 20T. Tel: 01-242 4111 Telex: 896827 TACS G/Ref 1202 Avoiding preduct liability, London. December 11-12. Fee: \$460 (before November 27); \$483 (after November 27). Details from Cordelia Currier at Loop International. Premier House, Southampton F London WCIB 5AL 01-833 2705/6. Telex: 2 01-833 2705/6. Telex: 24687 IMPEMP G) Attn: Ilion Intl. Fax: 01-330 6458.

#### Fellowship

IN A MOVE designed to forge a closer link with industry, Fitz-william College, Cambridge, is establishing a Business Fellow-ship which it hopes will attract step has been taken as a direct result of a symposium held in September 1985 and hosted by the college at which representatives of government, industry and universities discussed issues and problems of funding higher education in the UK and explored the extent and nature of common ground.

The scheme is designed as that copanies can second indi-viduals as Visiting Fellows of the college, a status which allows them access to such university facilities as libraries, faculties, research groups and departments, as well as lectures, seminars and classes.

It is feit that the fellowship would allow a senior executive to use the college's facilities, for example, to establish oriorities or overnome particular strategy it may be working on.
Up to two Business Fellows
will be accepted at any one time.



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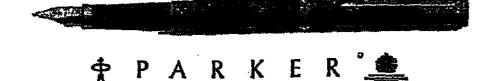
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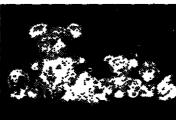
Anhui branch of China National Arts and Crafts 1/E Corp handles the import and export of arts and crafts in Anhui. Our products, with a long history, are of fine

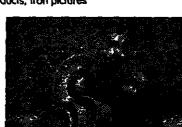
craftsmanship, distinctive styles, and are available in a wide In recent years, we have brought forth many new designs and varieties and greatly improved the qualities of our products. Our major export commodities now fall in more

than 30 categories, which include: ceramics, "Four Treasures of the Study"Xuan paper, writing brushes, inksticks and inkstones), drawnwork, pearls, fluffy toys, jade carvings, lacquer ware, bamboo, willow and straw products, iron pictures

Always adhering to the principle of "Customer First, Reputation First", we do business in many flexible ways. Apart from export trade, we are also active in compensation trade, exclusive agency, processing imported materials, processing to supplied samples, and manufacture under clients' brand names.

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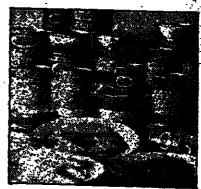


native produce. Anhui Branch of China National Cereals, Oils and Foodstuffs I/E Corp. is experienced and strong in foreign trade because we have handled our own import and export of cereals, oils and

foodstuffs since 1976. The export volume of our corporation

ranks first among all I/E Corps. in Anhui Province. At present, we export over 161 kinds of products involed in 9 categories. They are: cereals and oils, oil products, mear and mear products, egg products, canned goods, aquatic products sundry goods, fruits and vegetables. These products are exported to over 30 countries and regions in the world such as Hong and Western Europe, Middle and Near East, Oceania, Africa and Latin America. We have established good trade relations with over 400 companies in these regions.

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Chisia National Cereals, Oila & Poodstuffs I/E Corp., Ankni Branch Import and Export Suilding, Stathal Road, Hefel, Chine Tel: 60484, 60368 Cable: "CEROILFOOD" Hefel Telex: 90010 AHLYS CN

## FINANCIAL TIMES SURVEY

Monday November 17 1986

# UK Export Services

The official export promotion effort has been subject to pruning in spite of Britain's growing deficit in manufactured goods. Greater self-help and increased reliance on private sector sources of assistanc; may have to be the answer

## Public money seeks better returns

By Christian Tyler, Trade Editor

AS BRITAIN'S trade deficit in vice it gets from the official exgoods becomes ever more port promotion effort: the real problem seems to be that not companies attention has been enough companies bother to turning to the level and quality of support for UK exports.

For example, only about 6.500

quarter of the year, the cumula-tive deficit on non-oil trade had reached £9.4bn, compared with deficits of over £10bn in the previous two full years.

Exports of manufactures have

The City of London remains a world leader in terms of the financial and other export services it provides, in credit insurance, discounting of bills, the forfait market, and sophisticated loan packages to finance project work and capital goods sales overseas. There is growing experitse in countertrade.

Government support for exporting that exporters should be providing collectively or individually for themselves. The chambers of commerce in London and Birmingham, and to a lesser extent in Manchester and Glasgow continue to run their trade missions with some BoTB support in many markets. But the weakness of the British chambers elsewhere in the country and of trade associations generally, means that

ports has been affected by the tions generally, means that pruning of departmental budgets, in the British Overseas companies is still probably intrade Board and the Foreign and Commonwealth Office. But In other countries, where and Commonwealth Office. But In other countries, where there is little evidence that any membership of chambers and

By the end of the third companies have so far registered the year, the cumulatered on the market opportunities computer bank run by the Department of Trade and Industry and fed by the foreign service.

Exports of manufactures have been picking up recently and should continue to grow would probably more than steadily, according to the Chancellor's autumn statement, but that will not be enough to present rates of return certainly look impressive. But it about £800m, and is expected is not necessarily the best use of public money to provide more share in the Conservative election victory in 1979.

The City of London remains a world leader in terms of the financial and other exports. But the providing collectively or individually for themselves.

Bigger export promotion budgets close scrutiny since it ran into a cash deficit three years ago the world recession and the developing country debt is not necessarily the best use of public money to provide more services that exporters should be providing collectively or individually for themselves.

Bigger export promotion budgets close scrutiny since it ran into a cash deficit three years ago the world recession and the developing country debt is not necessarily the best use of public money to provide more services that exporters should be providing collectively or individually for themselves.

Wholesale reform of the largest, has been considered and rejected by ministers. But the Bigger export promotion bud-

serious damage has resulted.

Indeed, independent surveys there are large budgets availand parliamentary scrutiny able for export promotion. tend to show that industry is British companies with their broadly satisfied with the ser-long tradition of competing

fiercely with each other for up to take their place.
foreign orders, seem institution.
As a result of these nation of the seem of the seem

As UK manufacturing trade shifts away from former colonies towards the safer US and Western European markets, the role of the Government's Export Credits Guarantee Department

agency, still one of the world's largest, has been considered and rejected by ministers. But the ECGD has been revamping its premium policies to try and win back business in better markets and installing new administrative systems to meet criticism of its slowness and inflexibility. The first results of that exercise

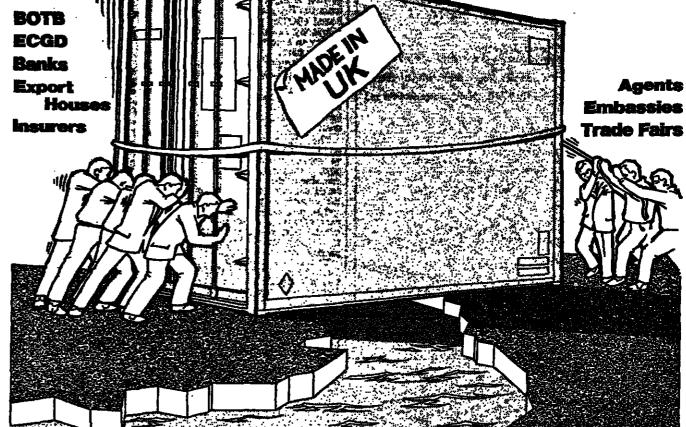
Meanwhile one major scheme ne comprehensive bank guarantee for short-term busi-ness, is being withdrawn and other loss-makers are still on trial. Any reduction of the ECGD's cover is likely to be greeted with protests from industry; in the case of the bank guarantees, several private sector alternatives have sprung

internal streamlining—the ECGD is now paying its way on

Private credit insurance has grown rapidly in response to customer demand for a more selective cover than the ECGD credits Guarantee Department has diminished. The ECGD's performance has been under close scrutiny since it ran into a cash deficit three years ago because of the world recession and the developing country debt could be a cash deficit three years ago because of the world recession and the developing country debt could be a cash deficit three years ago because of the world recession and the developing country debt could be a cash deficit three years ago because of the world recession and the developing country debt could be a cash deficit three years ago because of the world recession. who have difficulty finding their way through the ECGD maze.

Falling overseas orders for capital equipment and big con-struction work have forced the banks to cut back their export finance departments and to con-centrate on the short-term business. As the market has be-come more difficult, the sophistication of loan packaging has become greater. Competition between the banks has also increased as exporters shop around for the best support.

Meanwhile, the Government has embarked on a campaign to cut the cost of subsidising project finance. It is locked in negotiation with the banks for a reduction in the marging they are the for locking they have the substantial to the substant receive for lending longer-term under ECGD auspices. After a furious initial response to the



use of the capital markets, pro-vided their reimbursement for arranging the initial loans remains high enough.

The bigger exporters contime to press the Government for a better system of admini-stering that part of the British aid budget that is reserved for matching foreign offers of concessionary finance for major projects. The chief imnovation in the past year was the creation of three soft loan facilities, for China, Indonesia

Soft loans will be less of a drain on the aid budget in the short run, but no cheaper than mixed credits in the end. But with negotiations resuming at

ways of making subsidised credit a great deal more expensive for every rich nation, it remains to be seen whether exporters will welcome a suc-cessful conclusion or simply redouble their pleas for more government expenditure. Export promotion is one of

those things against which nobody will argue, especially not at a time of severe pessimism about the prospects for Britain's manufacturing industry. The habit of turning to government for help when markets turn down is thoroughly ingrained.

Yet it remains an open question whether government, however much money it may be ready to devote to the cause, can make more than a marginal contribution. diminishing returns can take

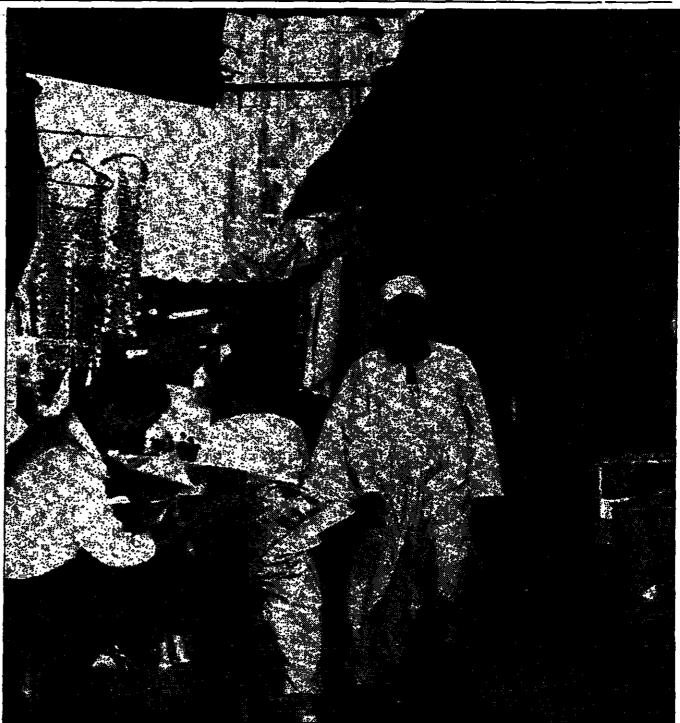
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Government Support British Overseas Trade Board Export Credits Guarantee Department

Foreign Office Exports: Aid and Trade How the RBC is helping

Financing by the Banks The Insurance Market Chambers of Commerce





## If countries can vary so much, why can't export credit insurance policies?

All too seldom are export credit insurance policies written with an eye to the real world. Instead they appear to be based on the assumption that, wherever it goes, a company will encounter much the same degree of risk.

At Trade Indemnity, we think this is plainly absurd. And of course unfair, since

many companies will be forced to pay a quite unnecessary premium for their insurance cover.

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British Overseas Trade Board

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## Promotion makes more use of technology

**Use of BOTB Resources** 

SMALLER companies seeking to increase their expons are getting a big shot in the arm from the British Overseas Trade (in export promotion) Net eash spend plus Overseas Trade Divisions and Regional Office Staff costs Board (BOTB) which has set as a priority the use of new tech-nology to broaden the country's

1984/85 1985/86 £m Collection and dissemination of market intelligence 3.6 19.2 15.9 2.3 1.0 7.3 Trade Promotions of which trade fairs and related events Ontward Missions Inward Missions Other Services of which Export Marketing and Research and Advice Market Entry Guarantee Scheme Publicity and Promotion of BOTB Services to industry and overseas publicity associated with UK participants in trade fairs and missions

Capital projects overseas
General advice and export promotion: support for export promotion services; planning, evaluation research

patchy export performance.
The BOTB, a division of the Department of Trade and Indus-try, acknowledges that in the face of the budgetary shakeout that has affected all government fully on-line to the BOTB's 10 regional offices in the UK. BOTB officials claim that a great advantage is its close co-operation with the Foreign departments in recent years it has taken some time to adjust and Commonwealth Office, and technology potential to exin particular the commercial port promotion. But under its new chairman, Sir James Cleminson, former sections of Britain's many

Telexed information from Partners. household products and food
group, it is now surging ahead.
At the care of the technological change is the BOTB's
export intelligence service
which formerly relayed informacommercial counsellors is now commercial counselors is now the strong updat and infection of computerised. The efficiency sterling have also meant a inherent in such a programme natural boom in UK sales to has meant a vast reduction in the US. The total value of paperwork and has enabled the British exports last year was BOTB to reduce its research staff by 20 while at the same time allowing it to process some

> such as frozen peas shipped to West Germany will be able to get quick information on EIS

The BOTB acknowledges that it has only so much room for manoeuvre, for UK exports are essentially demand-led. As a result of membership of the EEC, the UK's trade has shifted enormously towards the Contiment and away from the tradi-tional Commonwealth trading

45.6

The strong dollar and the a record £78bn, 58 per cent of which went to the EEC and about 17 per cent to the US.

42,000 pieces of information a year.

This is no cause for complacency, however, especially in view of this year's downturn seking information on a subject in exports and an outlook for around £70bn in sales abroad.
Instead of riding the crest
of UK sales to its best markets, notices on the subject, details the BOTB has taken an initiapackaging, labelling, importers, agents and joint-venture erosion of Britain's market

Hugh Rou

Sir James Cleminson, the new chairman of the BOTB sterling now at its most competitive

UK trade has moved from a deficit to a generally even balance.

The rationale behind the Canadian promotion is that this market, comprising a population of 25m, had been neglected in the face of enormous US demand. But as many Canadian needs and tastes are similar to those of the US and Canada provides a relatively uncomplicated base for UK companies to export goods to its huge southern neighbour, the BOTB put promotional efforts into increasing sales to Canada.

The organisation, with a staff of 950, also refused to become discouraged by the Latin American debt crisis. Its research showed that substantial cash-forgoods business was still going on in Latin America and that Reitain was losing some of the business, especially in chemical

So the BOTB sent out an alert to UK chemical companies

(For business of £10m or more)

Agricultural, farming and forestry goods

Mining and refining equipment and projects

Construction and civil engineering projects and equipment

Communication and entertainment

Electric power plant and equipment

Manufacturing plant and equipment

Transport equipment and projects

Type of goods

companies.

The main thrust of the organisation's promotional efforts is to help small concerns, those with 200 employees or fewer. Big companies usually have well-established export sales departments and, except for chemicals, generally need

less BOTB support.
It is noted that some 80 per cent of exports are provided by 12 per cent of UK companies, suggesting that small concerns' share in the country's export success is still in-

adequate. In an effort to improve this performance, the board, along with the Institute of Export, the Confederation of British Industry and other trade associations, is backing Export '86, the second annual trade fair, wholested for December 24. scheduled for Decer

scheduled for December 24 at The Barbican in the City of London, which is directed mainly at small exporters.
Underlying the UR's export performance is the value of sterling, which, according to Sir James Cleminson, is now at its most competitive ever in relation to the UR's main relation to the UK's main trading partners. He is therefore urging exporters, both large and small, to keep their production costs as low as possible and thus avoid losing this valuable advantage.

Sir James, as head of a big company whose products are small, price sensitive and sold overseas, speaks from first-hand knowledge of how a strong pound can harm exports. In a recent interview he noted that UK non-dl exports took a beating at the height of the oil boom in the late 1970s when starting the second of the second when sterling was valued at \$2.40 against the dollar, and

able to maintain exports against

ECGD buyer credit and specific guarantees

to intensify marketing efforts such unrealistic values, simply in the region; and this, the went to the wall. Britain's role board says, has resulted in a as an industrial exporter is only turnround in Latin American now recovering and even so its chemicals purchases for some performance is somewhat

petchy.
Underpinning the board's activities are its 15 international. trade advisory groups, such as the British South Asian Trade Association, the Sino-British Trade Council, the Committee for Maddle East Trade and the

European Trade Committee. These groups have grown "somewhat like Topsy," said one official under the umbrella. of the BOTB, and they individually spearhead develop-ments in UK trade attitudes and trends as well as working closely with foreign chambers

of commerce in the UK.
With a net cash expenditure esting ted at £45.8m for 1985-88 to support British trade (including staff costs), the BOTB is anxious to get as clear a picture as possible of its cost-effective-

It requires all chambers of commerce whose missions it helps to subsidise to report back on the findings of mission members about overseas business to be won. Similar report ing back is undertaken at trade fairs and related events. It is not an easy exercise, and the BOTB tries to separate orders that would have been gained without its participation from genuine new business that can be traced wholly to BOTB

Support.
According to one cost-benefit ratio is 1-50, so for every pound spent by the BOTB to boost exports about £50 is carned by the exporters.

Last year the board spent some £19m on trade promotions, fairs and related events, £2.3m on supporting outward missions, and £7.3m on other services. DM 5.15 against the D-Mark.

Many small companies, unresearch and advice.

1983/84

326

1982/82

1.787

Frank Gray

1984/85

19

167

271

288

1,974

1985/86

£m.\*

71

116

21,

159

97

2.514

#### **Export Credits Guarantee Department**

## Greater emphasis put on profitability

Department is searching for a new approach to business that will satisfy its twin, and often conflicting, objectives of support for UK exports and financial independ-When you're exporting ence of the taxpayer.

The BOTB's latest piece of

persuasion is on a video-cassette

supplied to thousands of smaller UK companies, It car-ries the message: "You don't

have to be big to succeed over-

The cassette explains the services offered by the BOTB as the Government's chief export promotion arm and examines the hurdles facing small companies trying to enter the export market.

The promotion is an essential part of a new drive to exploit

the benefits of new technology to help bolster the country's

head of Reckitt and Colman, the

tion on export opportunities in the form of printed newsletters

to exporters. For some years the EIS has been computerising

its detabase, and now operates

an ICL-made base in Eastcote.
Last year it completed the
introduction of a new, fully
integrated, on-line computer

system. It is hoped that by next

year it will have on its database some 80,000 export intelligence

notices which it will be able to

It is on the way to becoming

hold for up to two years.

Export Credits ECGD is the world's oldest and Now it is being compelled to most experienced export credit modify its business approach by insurance organisation and placing a greater emphasis than served as the model for similar before on profitability and combodies in other countries. But

> broke in 1982 brought parlia- exports guaranteed by mentary criticism in their wake. department has dwindle little more than 20 per cent and some bankers and exporters its relevance question Britain's export effort. In an effort to reduce its loss, the ECGD has sought to pull back from the more difficult areas of business and engineer a shift in its portfolio

> > Mr Jack Gill, the career civil ervant who heads the ECGD and is due to retire shortly, says there are also outside factors at work in the depart-ment's declining share of the export insurance market. British trade has, for example, market. shifting away from one country markets for which exporters have sought official guarantees in the past. A lot of this business was project-related and there has been a pronounced slump in project business since the debt crisis brought recession to many developing country economies.
> > At the same time the phasing down of interest rate subsidies and the decline in world interest rates means that fewer exporters are looking to the ECGD as a means of arranging

cheap finance.
As far as Britain's overall As far as Britain's overall trade effort is concerned, the shift of exporters into more secure developed country sector. Last month it amounced it was reducing the premium not matter, but it does have an impact on the ECGD. "Given that we are trying to run a business we do need to look a business which would normally it carefully at the fact that a impact the ECGD hereave of the

Miscellaneous Aircraft, aeroengines, ships, marine engines the losses that hit it after the Partly as a result of this, developing country debt crisis the share of British non-oil Totals \*Includes foreign currency guarantees converted into sterling at March 27 1986 exchange rates

> promotion like to get at some of that business." Mr Gill says. ECGD's present thrust is twofold. First, it is trying to cut its costs by altering and phasing out programmes that are not programmes that are not regarded as cost-effective. Second, it is trying to streamline some of the existing services to make them more

competitive with what private sector has to offer. Dut to be phased out by next year is the comprehensive bank guarantee scheme which allows exporters to insure the whole of export turnover in short team trade (defined as the repetitive sale of goods made in the UK on credit terms of six months or less). At the same time the ECGD along with the Treasury and Bank of England is engaged in negotiations with commercial banks over a reduction in interest margins that apply to ECGD guaranteed loans. Mr Cili says he regards the private sector insurance market

as complementary with the ECGD, but it is clear from its bit carefully at the fact that a bypass the ECGD because of the big proportion of trade is not high level of premiums in these

insured with us. We would markets as well as to promote a shift in its overall portfolio

"If we're going to balance

claims that new business taken on since 1983 has broken even. Its borrowings from the Government's Consolidated Fund on which it draws to meet underwriting losses are up to about the £800m range. This is

away from the worse class risks.

Moreover, Mr Gill says that the ECGD is now prepared to consider offering insurance on a selective basis rather than on its traditional comprehensive basis which involves insuring an exporter's entire turn-over. This will make it more flexible and make it better able to tailor policies to an individual exporter's needs.

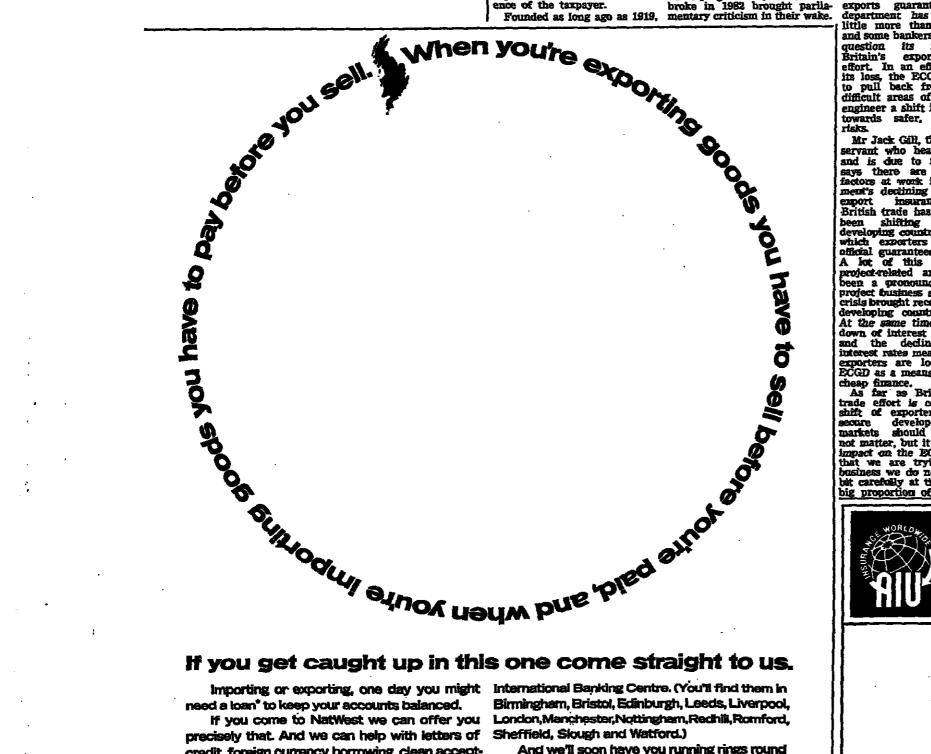
the books we need a more discriminating premium sys-tem," he says. With the new technology now available there is more room to have such a system which would allow ECGD to arrange individual deals. For example, a firm might accept a larger first loss to get a lower premium rate. Similarly ECGD is now in the process of developing systems that will speed up its under-writing. Using a computer data-base it aims to be able to offer a 24-hour decision turn-round for its basic services. ECGD is due to anounce its latest financial results today but already there is some evidence that its more commercial approach is paying off. Mr Gill

inside the last public forecast of a deficit of £35n by 1990. Yet, many bankers who deal

with ECGD have their doubts. The support that ECGD can give in terms of its range of policles and markets it can cover is eroding," says Mr Campbell Dunford, chairman of the British Export Houses Associa-tion and managing director of Midland International Trade Services. A millstone round the department's neck remains the debts it guaranteed to develop-ing countries before the debt crisis broke and which are now being rescheduled.

At some stage this problem would have to be tackled if the ECGD is to become fully profitable again. At the heart of the argument is the continuing un-certainty over what ECGD's role really should be. If it is to be a major official arm of the UK's export effort it cannot be expected to operate on a purely commercial basis; if it is simply to operate as a break-even pro-vider of services to exporters, then it is hard to see a need for government involvement at all. Bankers says the Government's policy is confused in this respect—and that, as much as the low salary likely to be on offer, may be one reason why the Government could have difficulty required. difficulty recruiting a suc for Mr Gill.

Peter Montagnon



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Foreign Office

## More support urged for diplomats

IN THE DAYS of gunboat twice those devoted to political diplomacy before telephones and work. The Lords noted that de-

A CONTROL OF THE PARTY OF THE P

THE WASHINGTON

rank (n

ing too much time on rarefied political analysis when they should be promoting UK

Recent testimony suggests there may yet be little UK that it is an unfair picture. A trade? Should the UK retain its House of Lords select committee, in its celebrated but trate its diplomatic forces?

The international network is a walnahla asset: it is pessimistic report on Britain's overseas trade prospects last october, find this to say: "The also justified by the fact that committee have been most British trade associations, except impressed with the skill and for those covering chemicals competence of those engaged in and pharmaceuticals, for commercial work in the Foreign example, are generally weak, and Commonwealth Office at and only four of the regional home and overseas. As in the chambers of commerce in the UK do much in the way of sponcase of the British Overseas Trade Board, they think that the Government ought to give more and not less support to their

About a third of Foreign Office resources abroad are devoted to commercial work, at an

diplomacy before telephones and airplanes were invented, British ambassadors could declare war. These days, they are more likely to find themselves lobbying ministers on behalf of British engineering contractors.

Today's communications may have stripped ambassadors of their power, but, as one diplomat observed, they have added enormously to the complexity of the job.

Businessmen still occasionally complain that diplomats are living in a bygone age, spending too much time on rarefied political analysis when they in well-trodden markets, or is it to help individual to the contracts in well-trodden markets, or is it to the position of the political analysis when they in dividual to the contracts in well-trodden markets, or is it to the political analysis when they

in well-trodden markets, or is it to raise Britain's profile in new and difficult markets where

UK do much in the way of spon-soring trade missions. The payback from increasing staff in, say, West Germany is probably both large and immediate, while the return on investment in Brazil, Nigeria or China will be small and further

UK posts overseas - what they do. Head of post 11% Labour/agriculture/ energy etc 4% Economic 3% immigration, visa 9% Political 15%

countries, diplomatic mediation may come away with a most unis probably essential.

Public expenditure cuts have forced the Foreign Office to look more carefully at what it does in terms both of the services it performs and the de-ployment of its personnel. A "cost-impact management" group including DTI and FCO

Some functions may be drop-ped altogether. Charges for other services may be in-creased, and some assistance presently provided free may be charged for in future.

Inspection of commercial posts may be stepped up from once every four years to once a year, which would give the export promotion managers a better idea of how to deploy

their troops.

According to the FCO, there is considerable misunderstanding in industry of the role of overseas staff: they are expected training nor the instinct. Amba

have done a stint as commercial officers at one time or enother, but not many of the so-called high-fliers of the administrative

hand, exporters should be able experience. A hard-nosed busi-to look after themselves in nessman confronted with an Western Europe, while in the Oxbridge graduate serving his state trading and developing time as a commercial counsellor

favourable impression.

Most of the commercial posts are filled by people recruited into the executive grade, who at least so far—rarely show the ambition or ability to make it to the top. However, the execu-tive grade entry is now said to be more highly qualified than ever in terms of university degrees. But the pressure of work is such overseas that executive officers can rarely

by locally-recruited staff, usually with a business background or qualification, who spend a few years with the British foreign service but can-not make a career of it.

Commercial training in the Foreign Office is fairly limited —an initial five week course in the UK, with occasional duty tours later to wisit companies and ettend seminars. The FCO and sween semmars. The FCO tries to send up to 20 young diplomats a year into industry on secondment, but cannot get its quota back because the rising stars of industry are reluctant to give up two years to an outside employer for fear their censery will be interested.

#### Aid and Trade

## Everybody's political football

THE BRITISH aid programme has always been something of a political football, since it tries to combine two not always reconcilable aims: to help the development of poorer coun tries and to sustain British exports and the jobs that depend on them.

But ever since the UK announced its first manufactur-ing trade deficit since the Industrial Revolution, alarmed industrialists have redoubled their criticism of the way the tied-aid budgets are administered. The football has been kicked about a lot in the last couple of years.

Mr Chris Patten, the new Minister for Overseas Develop-ment, has inherited a ministry under siege. In one of his first speeches he brushed aside Press comment that saw him relegated to the political saltmines, and bravely defended the Overseas Development Administration's traditional concern to prevent domestic commercial considerations overwhelming the external development ones.

"The aid programme isn't going to be a supporters club Nevertheless, for anybody except the poor countries it is intended for," he declared. But he showed a ready grasp of the political nettle when he added that he would try to convince those with humanitarian aims that their objectives are not jeopar-

There are those in the Department of Trade and Industry who itch to get their hands on the ODA budget, leaving only the humanitarian programme under Foreign Office control. So far, they have been disappointed: foreign to give up two years ing only the numericarian much further.

ide employer for fear cers will be inter
Christian Tyler ing only the numericarian much further.

They also complain that certainly like to see this budget of proportion of its already small others—as the way in which it total aid budget to inter
weighed industrial policy. national agencies (where it is In the last year or so, how-

**Aid Commitments** Ratio of Bilateral Of which Multilateral Total Multilateral W Germany 3:1



Mr Chris Patten (left) Minister for Overseas Development says that the aid programme isn't going to be a supporters' club for anybody except the poor countries it is

intended for

lateral agencies.

of course not tied) than do competitors like France, West Garmany, Japan and the US. Even so, statistics produced by the ODA suggest UK contractors get more than their fair share of work funded by multi-lateral searcies. of industrial pessimism at home, a much reduced project port subsidy competition among OECD nations, could give British aid policy a decidedly mercantilist twist.

As it is, most of the bilateral ald budget is tied to the purchase of UK goods, but the terms of that aid (largely because it goes to the poorest countries) is regarded by the exporting community as too exporting community as too generous. If the aid were more often mixed with export credits, exporters argue, it would go much further.

ever, the ATP has to all intents and purposes become DTI property. The funds can be used to initiate a concessionary UK bid in markets where soft financing of projects has be-come endemic—South-East Asia for example. The inter-depart-mental machinery has also been given an oiling. But exporters and their bankers will probably not be satisfied with much less than a complete shake-up of the ministry structure.

One success the industrial lobbies can claim, and that is the creation of soft loan programmes to subsidise sales to India and China of up to £300m.

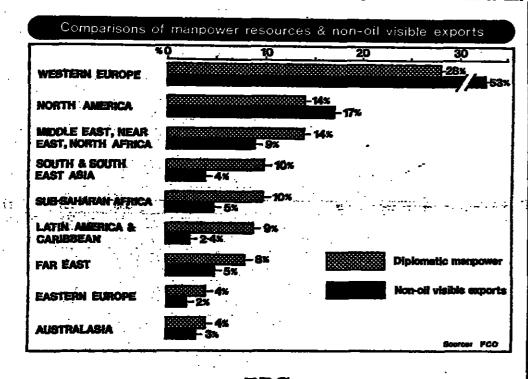
each and to independ of up to state and to independ of up to state while taking a decidedly more commercial approach to export aid in practice, the Government is still theoretically committed to reducing repriect furnice state. to reducing project finance sub-sidies by international agree-

Negotiations resume at the OECD in Paris next month with the aim of raising considerably the minimum grant element in

on whether the Japanese can be persuaded to accept a new method of calculating the grant element which will equatise the cost for nations with different currency rates.

But the question is how countries will react if the negotiations do succeed. Sub-Within the bilateral budget there is the aid and trade pro-vision (ATP), specifically created to match predatory sicising project finance will become much more expensive for everybody. Will govern-ments call a truce in the subsidy financing practices of the foreign competition but still war, o rwill they feel obliged to dig deeper into their pockets for the sake of maintaining subject—at least in theory—to developmental criteria. The size of the provision, currently 190m, is not so much in question—although industry would certainly like to see this budaid for trade race could have the perverse effect of making

Christian Tyler



## UK products on the air

SMALL UR companies producing goods suitable for overseas markets are being encouraged this winter to take advantage of a free promotional ride being offered by that quintessentially non-promotional organisation, It is not that the BBC is sur-

reptitionsly seeking a way to go commercial. Certainly not. Its Science, Industry and Exports Department, part of its busy external services division at Bush House, Strand, is simply stepping up efforts to tell the world shout new UK products coming on the market.

Mr John Newell, the BBC's Science, Industry and Exports Editor, amounced recently that the centre of the promothat the centre of the printer tion was the corporation's new "Export with the BBC" video-cassette which tells UK companies, mainly small ones with little experience of exporting, how BBC programming can help to sell their products.

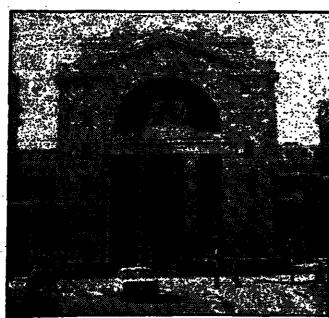
The BBC is tackling the job with rest and has sent its representative, Mrs Sheena Harold, around the country on a promotional drive to drive the message home to businessmen.

Mrs Harold is working closely with local chambers of commerce, the British Over-seas Trade Board and other irade clubs and organisations to explain the BBCs aims.

The corporation's external services division already has a

well-established programming vehicle to discuss advances in UK technology. This it does with UR technology. This it does with such World Service radio programmes as New Ideas, Business Matters, Science in Action, and The Farming World. Foreign listeners to its English language and 36 foreign language services total 120m. guage services total 120m. New Ideas, for example, ex-

plains developments in manufacturing and technology several times a week, while some of the foreign language services, such as those in the German, Japanese and Arabic, ornard the New Ideas format. expand the New Ideas format into an even larger, more regionally oriented service for



External Services

The BBC is guick to point out that it is not its business to give "free plugs" to UK manufacturers. Instead it treats information about new products purely as news and for its public interest value.

It has an export liaison unit which carefully sifts through story suggestions, often emanatstory suggestions, often emanating from corporate public relations people and trade journals. Technical journalists at the BBC then study the subject matter carefully and prepare it for radio broadcasting. The BBC accepts no payment or any commercial compensation for the products it decides to include in its broadcasts and it altruistically agrees to send listeners queries agrees to send listeners' queries on to the manufacturer at no

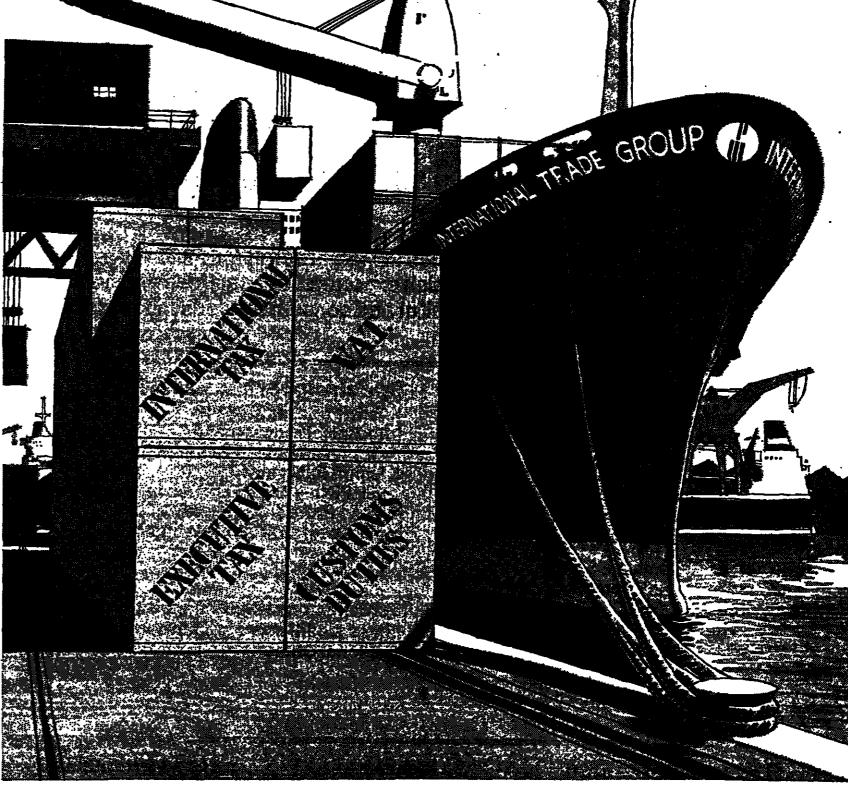
"We feel that it is important in reporting export develop-ments in science and technology that we follow it into the market," says Mr Newell. "In

this promotion we go the whole way."
One reason for the BBC pro-motional effort is that previously it had indifferent results when it invited exporters to briefings at Bush House,

Even so, it can already point to considerable success in the shape of firm orders that have been won after the favourable For example, Dumex, a maker of chemical solvents, says it achieved £100,000 in annual sales to Norway as a result initially of a Norwegian merchant's interest in a BBC

In another instance, Arrowin a manufacturer of glazed assemblies, estimates 1985 sales to continental distributors of glass hatch sun-roofs of £1.5m from a negligible level in 1983. It attributes much of the over seas interest in its products to BBC external broadcasts.

Frank Gray



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Private Sector: Banks

## Margins are being whittled down

A PROTRACTED discussion about the level of interest margins paid by the Government to banks providing long-term export credit has dominated attention at the banking end of export finance this year. export finance this year.

In an effort to reduce the cost of subsidising credit the Treasury sought a sharp reduction in the margins paid to banks as part of the process whereby it makes up the difference between market rates and the fixed rate of interest paid by the importing borrower under the internationally agreed Organisation for Economic C Development Co-operation (OECD)

The Treasury initially suggested that the margin on sterling loans should be cut to per cent from I to 1 per cent over the London interbank offered rate for sterling deposits. The margin on foreign currency lending (which is cheaper for banks ecause it does not involve them in fulfilling the Bank of England's mandatory liquid asset requirement) was to drop to it per cent from I to I per

On the surface such a reduction seemed fair enough. Margins on international bank lending have been falling lending have been falling steadily over recent years and the new rates would only serve to bring the export finance control margins closer into line with perce risk own borrowings in the international capital market. Yet the what the UK would pay for its own borrowings in the international capital market. Yet the proposals drew a storm of protest from the international banking community and nearly a year after the proposals were a risk.

Expectations are that the UK tract attention away from the margins debate should be range of schemes now available to help exporters, particularly at the shorter end of the sunderstands better their efforts to justify the remuneration they

first made the issue has not been finally resolved. Bankers say the proposed new margins take no account of the enormous front-end effort

that goes into planning the finance for major foreign contracts. A bank may prepare light of day. supporting British exports in as to how such a scheme would

this way, they must be rewarded for all the work they do. for all the work they do, including the costly business of making offers on contracts that end up being awarded else-

Export finance is already an overcrowded and competitive market where the overall returns are low. Should the UK scheme become unattractive for them banks might move to other business, they say.

For example, some banks

regard supporting Italian exports through that country's so-called "triangular" scheme as more attractive. In Italian export credits, the business of providing the government guarantee is handled through SACE, the export credit insur-ance agency, while the interest-make up is provided separately through Mediocredito, the state financing agency.

This separation makes the better tailored to individual contracts and reflect their own perception of the end-borrower risk.

HELP FOR

EXPORTERS

have been receiving, though no one yet knows exactly at what level the new margin rates will

Likely to be introduced as part of the change is a scheme allowing long-term export credits to be refinanced on the schemes for 20 contracts but international bond markets as the only one of them will see the this could help cut the cost to the Treasury. Here again, how-ever, there remains uncertainty

Bankers say they are worried by the possibility that they would be "bought out" of a deal before it had had time to pro-duce much in the way of return but one suggestion that has been made is that they might con-tinue to receive a residual mar-gin or fee from the ECGD for the paper work they will continue to do even after a loan has been transformed into a securities issue.

Meanwhile most of the large clearing banks have now introduced their own schemes to re-place the ECGD's Comprehensive Bank Guarantee scheme for financing short-term exports that is due to be withdrawn next year. National Westminster was the latest to announce a scheme last month, while Barclays, the only major clearer which has not done so is expected to unveil its plans before the end of

The British Overseas Trade Board provides advice, information and financial

assistance to existing and potential British exporters. Our services are available

to large and small companies in the capital and consumer goods industries and



Mr Jack Killick, director of the Export Credit Clearing House: a brokerage role

Credit Clearing House, which serves a brokerage role in export finance, says that there are some 600 institutions in London involved in export finance one way or another. Besides conventional banking there is a growing business in factoring where a bank takes over the business of collecting payments from an exporter's customers and in forfaiting (which involves discounting export bills for cash). London is now the main international centre for this type of business which started in continental Europe a

to shop around. Second, to get the best possible deal, they should be prepared to present their case clearly and cogently to their bankers. Sadly for UK exports this is a point which many businesses often appear to

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Private Sector: Insurance

## Market exploits a niche

towards better quality risks have again focused attention on the private sector market for export credit insurance.

Centred on Lloyd's, such a market has existed in London since the 1970s, and, according to specialist practitioners, it now attracts an annual pre-mium income in the order of \$150m. Theoretically at least, the private sector could step in where the public sector fears to

Yet brokers say it would be Yet brokers say it would be wrong to assume that the private sector can pick up all the slack. After rapid growth until about 1984 the private sector market entered a period of consolidation. It was not helped by substantial claims estimated at between \$50m and \$80m relating to husiness in Sudan and \$80m relations in Sudan earlier in the decade and, with the revival of business in the alternative property and casualty sector, a number of underwriters have drifted away.

Nowadays, says Mr Charles Berry of Berry Palmer and Lyle private insurance still represents the equivalent of a reasonable sized export credit scheme. The private market has grown and continues to explore a night between what the ECCO.

"The private market has grown and continues to explore a niche between what the banks and the ECGD provide."

Practitioners in the market are at pains to stress that they do not see themselves as being in competition with the ECGD itself. "The market sees itself decade ago.

Bankers say there are two clear messages for exporters. First they should be prepared to shop around. Second, to get the best possible deal, they should be prepared to present they are clearly and cogenity. The market sees itself as complementary to ECGD; as complementary to ECGD; appear to see it as a direct competitor," says Mr. John Freeman of Willis Faber & Dumas (which together with those Robinson is one of the two biggest brokers in the field). Premium rates in the private

Premium rates in the private export insurance market vary between 0.1 per cent and 10 per cent, and usually they are more expensive than those charged by the ECGD, but where the private market differs from the Peter Montagnon vate market differs from the

RECENT EFFORTS by the state-run scheme is that it can too great for the market to insurers say would normally be Export Credits Guarantee Department to shift its portfolio dual contracts and risks. dual contracts and risks.

Insurance depends on the capinating normally.

acity of underwriters who work acity of underwrite tion of its business is done in

tion of its business is done in countries with economic problems, many of which have already rescheduled their foreign debts or are in danger of doing so. This can mean that the ECGD has withdrawn its cover, but when it does so. specific situations private cover is withdrawn on a blanket insurance is a complicated business and this may mean it is Private insurers say that

even in the most difficult cases there is often still potential insurance business to be done, though this depends very much on the nature of the export contract concerned. The private

on a "country limit" basis in order to spread their risks. If the market's country limit is exhausted private insurance may be difficult to find regardless of the objective degree of economic or political risk. Fin-ally, because it is tailor-made to

not economic for smaller ex-"The private market very strongly favours the larger and/or experienced exporter," says Mr Sandy Trodden of brokers Bain Dawes Credit. porters.

view private insurance can therefore be less attractive than using the forfait market operated by banks in which operated by panks in which bills are discounted immedi-ately for cash. The thriving forfait market is, however, very selective about what risks it will take on and that can still leave private insurance as the best possible alternative. From the insurer's point of

view there is not only the hope that the passage of time will allow the problem to be cleared allow the problem to be cleared up. Partly for this reason insurers say they are not particularly worried about reports that Cuba's failure to meet payments on some of its trade debt since the summer could result in substantial claims on the private insurance market.

in substances care market.

At worst these claims would be below initial industry estimates of \$300m, and if at the end of the day a claim has to be met the insurer still has a chance of covering some of his losses — for example by sell-ing the debt concerned at a discount to a bank.

Peter Montagnon



The new underwriting room at Lloyd's of London

Chambers of Commerce

## London has lion's share

The London Chamber

ness contacts and trade oppor-

A DILEMMA facing many of Export finance.

Britain's more enterprising While the chambers would business leaders, be they heads like to have the benefit of autoof big or small companies, is in matic membership, they argue choosing the chamber of commerce which can best support prompts them to be more efficient of the companies of the

their business needs.
No UK company is obliged
to be a member of a chamber
of commerce, although there are more than 70 to choose

from.

This lack of Public Law the BOTB and, so it is claimed.

Status, as the chambers refer to it, means that they remain of individual members. voluntary associations, a situa-tion that does not look like changing in the near future. It also means that the geopraphic lines of demarcation that do exist do so under a gentleman's agreement. The looseness of the arrangement means that many northern companies, are members of the London Chamber of Commerce, for example, rather than those in Manchester

or Birmingham.
Many companies have dual membership, but the over-whelming majority of UK com-panies have no chamber affilia-

ion whatsoever. Many chamber heads acknow ledge that this is a classic case of UK "muddling through" and on UN muching through and one which, among other things, places continuing pressure on chambers to pay their way. The London Chamber of Com-

merce and Industry has by far the lion's share of the business. It has nearly 6,000 members, and claims to be the largest voluntary chamber in Europe. But as Mr Anthony Platt, the

But as Mr Anthony Platt, the chamber's director, points out, it is far short of the membership of the Paris Chamber, which, because of the public law status common in Europe, claims 200,000 members.

The LCCI is followed by the Birmingham Chamber, with 4,500 members and the Glasgow and Manchester Chambers, which claim about 2,600 members each.

Because membership is volun-tary, the chambers are under constant pressure to boost en-rolment or boost services (and fees for those services (and fees for those services) such as the arrangement of seminars, trade missions, language training and trade documentation training sessions.

They must also rely heavily on support from the British

on support from the British Overseas Trade Board (BOTB), which helps the chambers to fund missions and exhibitions.

Iund missions and exhibitions.
Increasingly, especially at the London Chamber, support for missions is being sought from banks. The London Chamber sent 18 trade missions abroad to 21 countries last year. 21 countries last year, and about half of these were supported by contributions from banks with the remainder from Bank-supported trips tend to

put the onus on the organisers to assemble missions that are likely to generate high value

and it is the envy of most other chambers simply because it is situated within walking dis-tance of most of the major financial institutions in the City. The reason is that a wellprepared mission, especially one selling high-value capital goods or seeking project business abroad, can quickly benefit from

with the city of Dalian, formerly the treaty port of Port Arthur, and is accordingly organising a trade mission. It also has put together missions to Indonesia and has led three in three years to Saudia Arabia.

Despite the economic downturn in Scotland since the fall in the value of North Sea oil, it has managed to gain 200 members in the past year while it points out that 80 per cent of its members have fewer than 100 employees and 40 per cent have fewer than 10. with the city of Dalian, formerly prompts them to be more effi-cient and less prone to the bureaucratic ways of Continental chambers. Indeed, the public law status requirement on the Continent means that few coun-

have fewer than 10. chambers is the provision of certificates of origin and car-nets for exporters. The carnets goods," and facilitate the move-ment of non-saleable items such as exhibits, sales kits and busitunities, followed by nearly 6,000 about UK and overseas Government regulations, 5,000

about trade and business names and 1,500 requests for statis-The Birmingham Chamber, says Mr Graham Ashmore of its exports section, put together 14 trade missions last year as well as helping facilitate 14 joint ventures and exhibitions over-

It tries to strike an even balance in its destinations, coming regular events. The chamber has organised missions to China for Midlands companies over the past three years while a fourth will take place by the year-end. It has recently oversized missions to Turkey. Finland, Chile, Algeria, Japan and Cuba and has planned trips to Margritine Reunion, Ecuador

and North Yemen.

Most of its support has come from the BOTB, but two of the UK clearing banks have backed missions to North America.

China also figures in the Glasgow chamber's plans. Glasgow was "twinned" recently

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The Birmingham Chamber, says that the documentation service has "no fat" on it but provides a useful turnover. The London Chamber, again showing its relative strength among chambers, derives about one-third of its £8m annual income from such a service, aided by a staff of 30 documentation

It is important to get the relevant documentation right, for faulty paperwork can cause erious problems and delays.

The documentation for the equipment that will go with Prince Charles and Princess Diana to Saudi Arabia was recently found to be erroneous and had to be sent back to the

Queen's officials to be corrected.
This shows that no matter
who the traveller may be the
paperwork involved in international commerce must be im-

Frank Gray

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The London Chamber sees great potential in bank support

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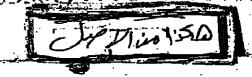
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## Sleeping Beauty Covent Garden

#### Clement Crisp

There was an almost tangible sense of excitement in the auditorium as the music announced the entrance of Aurora in The Sleeping Beauty on Thursday We were waiting for Gelsey Kirkland's first London appearance. Once on stage that decen ance. Once on stage, that deceptively frail figure in our gaze and the initial steps set out for us, and it was clear that we were in the presence of an Aurora of rare and lovely

The choreographic drama of The choreographic drama of the Rose adagio was presented with an exquisite lightness, each phrase lovingly savoured, poses easily held, the movement brushed in with extraordinary delicacy. We were watching both a young princess of sweetest grace and a ballerina entirely mistress of her art. Miss Kirkland gave us, throughentirety mistress of her art. Miss Kirkland gave us, throughout the evening, a portrait of real cogency as well as of abiding technical delights. I regret certain textual emendation that she offered, notably in the lost of the springing entry which leads into the spindle sequence, but in every other respect this was dancing of greatest distinc-

the way dance passes through her body, the way her feet melt into action in their rise and fall from point, are the signs of a magnificent natural gift magnificently trained. ficently trained.

The second act's vision was impalpably lyric, irresistible; the hushed quality of her dancing, sung to us, as it were, on a beautifully rounded planissimo. was especially rewarding, but both the first and third acts were no less well-reasoned, and conceived as emotional and choreographic entities. If I have one complaint it is that for the entree of the great last act duet Miss Kirkland opted for emphatic accents, sudden accelerandos which did not so much enliven the text as dislocate its grandeut and severe breadth deur and serene breadth.

Miss Kirkland had the inesti-mable advantage of Stephen Jef-feries as a highly responsive Prince, and she further bene-fitted from Donald MacLeary's was dancing of greatest distinc-tion.

Miss Kirkland's line cannot befaulted—no final pose but is

flawless partnering in the first act. These were the highlights of an otherwise workaday per-formance.

#### Pinocchio Boys

#### **Michael Coveney**

The Young Vic Studio annexe has at last become a useful venue for our best small-scale touring groups. Foco Novo's Tunde Ikoli double-bill is succeeded by Paines Plough and a lively new play by Jim Morris which shows three reckless, restless Liverpool lads breaking out of school and into a criminal joyride. A policeman, warning them off car theft, says he has

adventure playground they helped to build, to a neon-lit club that forbids casual footwear, and a crazed excursion in the Welsh footbills. They are unwanted outsiders in all locations, but assume the spurious glamour of time travellers overseen by the hubristic heli-copter patrol that comes to grief just as arson, petty larceny and high spirits are transformed into really serious crime.

Pip Broughton's production responds to the cinematic fluidity of the writing by replicating some scenes on a bank of seven video screens which designer Lez Brotherston has cleverly wedged among his forest of blue girders. The boys become stars of their own home movie. But the play is also

packaged in references to two popular TV shows: the breath-less treasure trail of Anneka Rice and the fatuously compulsive quiz programme of Bob Holness. Both personalities are mercilessly impersonated; Treasure Hunt and Blockhusters are brilliantly plundered as trivial media metaphors of adventure and detection disjunctive iconography of initia-tive and reward.

The tearaway trio is led by The lads promptly adopt three Ian Hart's trembling fantasist, puffing talismans and embark on the one who first communes a trip that takes them from the with Anneka "Reich" as he with Anneka "Reich" as he mysteriously ealls her; egged on by Sean McKee's headbanging dissident; and completed by Jake Abraham's archetypal scamp follower. Hazel Ellerby and Kevin Currie play a veritable rogues' gallery of teachers, policemen, media personalities, and do so with dazzling assurance.

A slight dissipation of energy

A slight dissipation of energy in the second act does nothing to detract from this buoyant achievement of a talented playwright. Mr Morris's comedy is rueful, funny and rough, bang up to date and touching, too, at that point when the old woodwork master bids farewell to his faltering but wide-eyed inventions. School's out, but so is luck for these likeable wastrel voyagers.

#### I Want/Old Red Lion

Islington sees the London pramiere of this two-hander by Nell Dunn and Adrian Henri, performed in Liverpool some years ago. We meet Dolly and Albert in their teens. Against Julie Feedam's colour-smudged gauze panels the passing years are indicated by the duo's costumes. Dolly initially sports Twenties gear, Albert a Fair Isle sweater. She is a poor little rich girl, he a bright working lad from Merseyside. Their affair lasts over half a century, sustained by occasional meet-ings and frequent letters.

She becomes a cross between
Sally Bowles and Emerald

Frink

Cunard. He despite a degree, is forced by the Depression into factory work. She takes lovers in Fez, he manages Majorca and marries twice. They never express their love and perhaps unconscious deliberately allow circumstances to keep them apart. They tell each other they are waiting for the right this would make!

moment, for perfection; but it A gentle, affectionate story, then, whose characters remain nebulous. Dony's net touched by Depression, war, the Welfare austerity and the Welfare State. She remains a Twenties figure whose lyrical style suggests an unhappy mating between D. H. Lawrence and Elinor Glyn. "I want to sing with my throat and mouth and tongue," she exclaims, presumably rejecting such alternative methods as that advocated by Le Pétomane. Naomi Buch has the hardest lines to deliver and sounds less like jeunesse dorée than a pleasantly broadminded schoolmistress. Carl Chase suffers from the enforced Scouse accent with its inbuilt monotony, but grows old movingly. Michael Elwyn's movingly. Michael Elwyn's direction fails to flesh out these sketchy figures completely. What an excellent radio play underlinings (well, almost none: —too big to be stylistically exact Tilson Thomas tended to expand yet lacking largeness of vision.

#### Architecture Colin Amery

## Rich crop of exhibitions in London

There is a rich crop of exhibitions in London at the moment as well as the encouraging signs of a rensissance at the major national museum of art and design, the Victoria and Albert At the V and A last week, the first of a series of restored galleries, called The Medieval Treasury, reopened in its restored and renewed condition. The gradual opening up of the architecture of the museum is encouraging—parti-cularly the clearance of the domed entrance hall and the now clear axis through the Medieval Court, which will soon be open to the new Pirelli Garden.

I plan to write in more detail about the new direction being taken at the V and A but it is salutary to welcome the sponsored work by Trust House Forte, which has exposed to the new light of modern display some of the pidest and most remarkable European Medieval art treasures. Ivories, gold and enamel reliquaries. gold and enamel reliquaries, rare embroideries and magni-ficent vestments are lit and displayed in a clear and distinctive way. There is a lot to be done at the Victoria and Albert, but as the scaffolding goes and the new consultant architect Michael Hopkins becomes established it will be assemble to lished, it will be possible to judge Sir Roy Strong's legacy. In those wonderful words to

describe the collapse of the tower in St Mark's Square in tower in St Mark's Square in Venice—when it fell to the ground in July 1902 without hurring a soul—"il Campanile e stato galantuomo" (the campanile has behaved like a gentleman)—the Venetians described how they felt about their city. But they also saw the fall of the tower as a warning; today it is not just one building in danger but the whole city is in a precarious condition. As the bed of the shallow Lagoon is subsiding Venice is in ever greater danger of flooding and ulti-

The programmes that Michael Tilson Thomas offers in his

London concerts are seldom the routine, meat-and-two-veg compilations that all too many other international birds of

passage agree to conduct: some additional point of musi-cal interest almost always underlines them. In Thursday's

London Symphony Orchestra concert, it was the juxtaposi-tion of two choral symphonies

of very different character that provided the thoughtful note — Stravinsky's Symphony of Psalms before the interval,

talent to suggest that his suit-

ability to the one work must automatically mean his unsuit-

ability to the other. But Stravinsky's anti-expressive ex-

pressivity (as Hans Reller described it) and Beethoven's extension into vocal drama of

the Classical symphony do make very different demands

on a conductor and his execu-tants; and on Thursday the

consistency belonged to the

The Symphony of Psalms needs clear orchestral tone, choral singing with none of the

massive manners deemed desir-

able in the masterpieces of the

previous century, and a natural

instinct for Stravinskyan tempo. Articulation is all: and here,

the articulation was authenti-

rne articulation was authent-cally lapidary, with no conces-sions made to alien expressive underlinings (well, almost none:

LONDON

Boyal Choral Seciety and London Phil-harmonic Orchestra conducted by Laszlo Heltzy with Gillah Yaron, soprano. Bruckner and Mendels-sohn (Mon). Royal Festival Hall

interpretataive

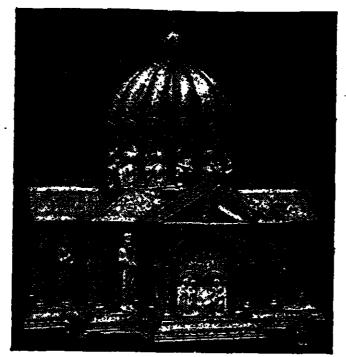
of

sense

Stravinsky.

Music

It would be an absurd



The Eltenberg Reliquary. Rhenish (Cologne), about 1180-to be seen at the Medieval Treasury Gallery

brought her into prosperous existence. All this is not alarmist but serious and prov-

The Saving of Venice is an important exhibition at the Warwick Arts Trust Gallery, 33, Warwick Square, London SW1. (Tel 834 7856). It runs Wednesdays to Saturdays until December 19, and is open from 10 to 5. The exhibition is about the salvation of the most beautiful city in the world. It is a telling and moving story, which anyone who considers himself a friend of that city should see. Only if Venice is seen as an internationally soluble problem can its future be assured.

A quite splendid and moving

the commas in the "Laudate

dominum" motto just beyond their proper pause-lengths) The chorus, the Pro Musica

rather than the orchestra's own assoliate body (why?), delivered their lines with athletic direct-

ness of style. The whole work developed a wonderfully serene

A couple of years ago Tilson Thomas and the English Cham-ber Orchestra gave a Beethoven Ninth in the same hall: the lightness of the chamber-sized orchestra was memorably illum-inating. Thursday's LSO Ninth

was also characterised by lightness, but rather less satisfactorily so. The hall itself is
unkind to large orchestras
(bass-line inaudibility, a fami-

liar Barbican weakness, was a specially notable hazard). And

because the LSO was not playing all the way through with

departmental single-mindedness of eusemble, the early move-

ments felt at once lightweight

momentum rather than dram-

Tilson Thomas's keenness to

fulfil Beethoven's tempo and

metronome markings was once

again admirably in evidence; and the finale developed a

briskness of spirit that was elating, promoted by good choral singing and a well-balanced solo quartet (Benita

Valente, Alfreda Hodgson, Arthur Davies, Stafford Dean). But altogether this seemed to me a Ninth between two stools

and unstable—hustled

atically urgent.

Tilson Thomas/Barbican Hall

Max Loppert

mately succumbing to the perils of the very Adriatic sea that brought her into prosperous RIBA Heinz Gallery in Portman existence. All this is not square. Landscape with Rutas alarmist but serious and provtury French and English gardens by the Canadian photo-grapher, Geoffrey James, who works in the manner of Eugene Atget. Using a 1920s panoramic camera, he reflects on the creation and persistence of

like space of the Heinz Gallery. It runs only for a month and should be contemplated on a quiet afternoon at a leisurely pace, if possible. There is a mood of meditation and stillness about these pictures which is surely what the creators of the landscapes intended.

For prices from £600 to £50,000 at the Clarendon Gal-lery, 6 Vigo Street, London, W1, you can acquire one of the Flights of Fantasy from the first-rate exhibition of architectural capriccios, imaginary projects and stage designs. In the more prosaic world of architecture the better architects are aware that the way forward has to follow the scenographic route. It is the best way for the architect to begin the beautification of our maltreated cities. Biblena, Clerisseau and Gandy point the way in a spectacular fashion.

We are more familiar with We are more familiar with Piranesi than Podesti but it is fascinating to see that architectural effect so often at so many periods derives from the visions of artists and stage designers. The introduction to the Clarendon catalogue puts it all down to Seriio, and tends to look back to a golden age. It is just as possible to see in the drawings on the gallery wall until December 19 valuable inspiration for architects working in cities today. ing in cities today.

Trad Jazz and Modern is the title of a small exhibition of architectural drawings of the 1920s and 1930s at the Gallery Lingard, 50 Pall Mall, SW1. It is more of an exploratory exhibition of the work of a very mixed bag of architects, and the use of the rather simple classification is sometimes misleading. It seems almost too early for some of these drawings to be elevated to the status of important architectural drawings.

This display is clearly aimed at rich museum buyers from across the Atlantic; worth a

#### La traviata/Covent Garden

A couple of cast changes have left the Royal Opera's La traviata with a line-up that is wholly East European in origin.
There is no reason why that should necessarily be a bad thing. A respectable proportion of the leading Verdians have always emanated from the East. But the performances that came together here—with one happily predictable exception—proved to be unfeeling or unidiomatic to a distressing degree.

The exception was the heartwarming Violetta of Ileana Cotrubas, a dame our comélios ved from vivals. It is over 10 years since Cotrubas made her first Covent Garden appearance in this role. The camellias have, inevitably, begun to fade since then: the voice can be fuzzy and breathy until it reaches the very top notes, where emergency pres-sure brings it into focus, and she gasps audibly as she summons the stamina for the longest vocal lines.

Saxist Chris Yet all these weaknesses are Biscoe on tour trayal of the fragile, consumpclear that this is a part for which she feels a special sympathy and the intervening years have been used to explore its corners still more intimately The chill in the tone, for instance, as she realised that not even Alfredo's return can save her brought a greater depth, a greater maturity than Walking Wig label.

before.

At moments like these she is close to the very heart of the opera. And that comes as relief Radio's Jozz Club.

#### Richard Fairman

else in the cast who seems to have a hope of even locating its pulse. The support from Yury Simonov in the pit was unhelpful and extreme, lurching from one tempo to another, thrusting forward ideas from the accompaniment with a hysteria worthy of Chaikovsky. Yury Masurok made an un-expectedly formal, uninvolving

Germont père.

Finally, there was a major disappointment in the Alfredo of Peter Dvorsky One might have expected youthful energy and ebullience from this singer, but instead he cut an unlikely figure, humourless and a touch too burly in stance, ill at ease, a constant frown on the face. The singing was solid and confident, but with no spring in the rhythm, no grace in the phrasing, no affection in the timbre. In such company Cotrubas was a lone soul indeed.

Saxophonist Chris Biscoe has added Italian trombonist Danilo Terenzi to his regular quintet for a national tour which has just begun. To coincide with it an album, financed and produced by Biscoe and featuring the augmented lineup, has been released on the specially formed

#### A Funny Thing . . ./Piccadilly

#### Michael Coveney

Notwithstanding Martin Hoyle's cast a chaotic personality of cold douche aimed at this revival on the occasion of its Chichester Festival opening in scenario for vaudevillians," but August, it was with light step August, it was with light step and jocund disposition that I approached the Piccadilly on Saturday night. A Funny Thing Happened on the Way to the Forum has an interesting Sondheim score (opening with "Comedy Tonight," the item that transformed the Broadway première after a disastrous tour), a sharp and witty book by Burt Shevelove and Larry Gelbart, and a famously helterskelter farcical resolution.

What a mess Mr Gelbart, What a mess Mr Gelbert, directing his own revival, has made of it all. There is no pace or life in the evening and

pace or life in the evening and Frankie Howerd, recreating the role of the scheming alave Pseudolus looks distinctly fed up, as if resenting the confines of a role which, after he played it in London in 1963, was the source of that most uproarious low TV series Up Pompeti.

Howerd hardly bothers with the audience, which is the greatest mistake imaginable. We long to be hectored, bullied and confided in by the old recriminatory, rumpled duvet of Howerd's saggy-jawed face. Instead, God help us, he keeps getting on with the plot. If Mr Gelbart wanted an efficient emcee, he should never have

emcee, he should never have

I suspect the American style of Zero Mostel, Jack Gilford, and the rest was more in tune with the whippy sophistication of the book and lyrics than is the wholesome cheeriness of their English counterparts. The best performances here are by Derek Royle as Erronius, a tottering customer at the bordello, whose long-lost twins are at the centre of the mock Shakespearian resolution; and Fred Evans as the brothel owner Lycus, thin, bent and lost help the lost of th and lank-haired like a bad impersonation of Henry Irving. Patrick Cargill is lusty but over-fidgety as the unclean Senex, Ronnie Stevens merely anodyne as Hysterium, making nothing of his fine and frantic point number "I'm Calm." Leon Greene, also in the 1963 production, is still erect and forceful as Miles Gloriosus.

The cast evince no relish even for the constant spattering of witty one-liners; not a titter. or witty one-liners: not a titter, for instance, on that reproof delivered to an angry eunuch by the semi-clad Gymnasia, "Don't you lower your voice to me." The orchestral playing is tinny, the design of Tony Walton just tatty, and the whole enterprises curiously dated disenterprisce curiously dated, disappointing and second-rate.



Frankie Howerd

#### CBSO Festival Hall

#### Dominic Gill

only high point, of Friday's City Nikita Storoyev and by the Orchestra concert under the CBSO, City of Birmingham Symphony combined male voices of the Finnish conductor Okke West CBSO, City of Birmingham Finnish conductor Okku Kamu Finnish conductor UKKH Ramu was a finely drawn and eloquent performance of Shostakovich's thirteenth symphony—the symphonic cantata on five poems by Yevgeny Yevtushenko, which is Shostakovich's most explicitly political and polemi-cal work, composed in 1962 at the height of "the thaw" in the Social Union which followed Krushchev's dethroning and demythologising of Stalin.

It is also one of the most directly and simply engaging of all of Shostakovich's major orchestral compositions: and the whole tendency of Kamu's reading—splendidly unfussy, untrammelled—was directed throughout towards achieving the greatest possible directness and simplicity of gesture and

Nothing was allowed to interrupt the inexorable tread of the symphony's famous opening challenge (from which it also takes its alternative title)
"Babi Yar" — or the
prominence of the words,
firmly and resonantly articulated, but without any sort of wrong, but I sincerely ho cloying melodramatic emphasis, Alexeyev recovers soon.

CBSO, City of Birmingham and Warwick University choirs. I much admired Kamu's containment of the adagio music of the third setting, "At the store"—drawing out the line by slow degrees, and never pre-empting the force of the huge climax. In the fourth movement, "Fears," the extraordinary the extraordinary descent into a ghostly triplesimo underwork the most sombre and thrilling evocations in all of Shostako-

gauged.

The evening began with an account of Beethoven's Emperor concerto by the Russian planist Dmitri Alexeyev in which almost nothing went right exemt the notes—and not all of cept the notes—and not all of those. I have admired a great many of Alexeyev's perform-ances and records since he won first prize at the Leeds Competi-tion 11 years ago: but this was an unconscionable travesty of the Emperor, coarse-grained, brutal, unrelentingly hammered, without any kind of cogency or poetry. It sounded to me like a performance of the purest panic. I have no idea what is wrong, but I sincerely hope that

#### Saleroom/Antony Thorncroft Season hits overdrive

at Sotheby's.

The Gaines includes that most rare of objects, a sheet of drawings by Leonardo. Very few remain in private hands and this sheet, which mixes studies of children with a technological sketch, is expected to sell for over £2m. It is datable to 1503-06 when Leonardo was at the heart of his powers.

The Gaines includes that

Mr Chao is forced to dispose of the fruits of 40 years of collecting to meet his creditors, but the market for top quality Chinese ceramics seems strong, especially for such choice items as a unique Yongle vase, show-ing Islamic influence, made in the early 15th century in Imperial King blue and white and estimated at around £300,000.

London is hitting back hard, not least on Friday when Christie's offers a view of Flatford Lock and Mill by Con-stable. It had been "lost" for the artist of £1m-plus.

The saleroom season hits overdrive this week, although, significantly, the two most important sales are overseas. In New York tonight Sotheby's is Hunt: it carries a £150,000 top estimate. There is also modern drawings from the collection of John R. Gains, while seer entitled Prince George's tomorrow in Hong Kong, one of the best collections of pony, Newfoundland dog, Chinese ceramics to reach the market, that of T. Y. Chao, comes under the hammer, also at Sotheby's. in the grounds of Windsor

> Sotheby's is also British pictures, and can lay claim to offering one of the largest canvases to have appeared in its Bond Street premises. It is by the American artist Benjamin West, who worked in London for many years in the late 18th century. It measures 12 ft by 17 ft and celebrates and epic from the history of the Mac-Kenzie clan and was commissioned by the clan chief-tain in 1786. Its title, Alexander III, King of Scotland, rescued from the fury of a stag by the intrepedity of Colin Fitzgerald, sums it all up. It cost 800 gns at the time, an enormous sum,

known. Only seven examples have survived and a year ago Spink sold one for £15,000. It generations and its importance is offering another on Wednes-in Constable's life—it was his day but is only expecting bids first success at the RA—should around £3,000 This is because produce an auction record for it is just a pattern, or the suggestion for a new design.

Still, four examples are

## Share the secrets of Cardbu. 12 year old Highland Single Malt Wbisky from the House of Iobrenie Walker.

## Arts Guide

## htts:tc/Monday. Opera and Ballet/Tuesday. Theatre/Wednes-day. Exhibitions/Thursday. A selective guide to all the Arts

Ensemble Intercontemporair conducted by Peter Ectvos, Peter Ectvos, Paul-Heinz Dittrich, Gyorgy Kurtag (Mon). Théâtre du Rond Point (42580880).

(9283191). (9283191). Milhermonia Orchestra conducted by by Frans Brueggen: Haydn, Mozart, Schubert (Mon). Salle Pleyel (45610630). Mariss Yansons with Robert Cohen, cello. Prokofiev, Rachmaninov and Tchafkovsky. Royal Festival Hall

(Tue).

ondon Concert Cheir and London
Bach Orchestra conducted by Donald Cashmore with soloists. Mozart.
Queen Elizabeth Hall (Tue). ITALY

(9283191). John Lill, piano. Beethoven sonatas. Barbican Hall (Tue). (6388891). Royal Philharm cted by Antal Dorati with Yehudi Menuhin and Leland Chen, violin. Handel/Beecham, Haydn, Chaus-son, Bach and Delius. Royal Festival Hall (Wed).

BBC Symphony Orchestra conducted by Gunter Wand, Beethoven and Bruckner, Royal Festival Hall (Thur).
cademy of St Martin-in-the-Fields
directed by Iona Brown, violin with
George Malcolm, harpetchord. Bach.
Queen Elizabeth Hall (Thur). endon Symphony Orchestra conduct-ed by Michael Tilson-Thomas with

Pro Musica Chorus and soloists.

Stravinsky and Beethoven, Barbi-

Peter Dversky, tenor, Ludovit Mar-cinger, piano: Smetana, Dvorak, Schneider, Trnavaky (Mon). Théâtre de L'Athenée (47428727)

can Hall (Thur).

zert (Mon). Salle Gaveau (45632030) Coloune Choic and content plouse Choir and orchestra conduct ed by Michel Corboz: Brahms Ein Deutsches Requiem (Mon). La Tri-nite Church (42771889)

chestre du XVIIIe Siecle conducted

Milam: Tentro Alia Scala: Riccardo Muti conducting Beethoven's 4th symphony, Varese's Arcans and Re-spighi's Pini di Roma (Fri, Sat). On Monday, a recital by the bass, Paata Burchuladze, accompanied by Ludmila Ivanova (80.91.26). Rome: Auditorium in Via Della Concil-

the contralto Mira Zakai and the viofinist Aldo Bennic in Milhaud's La Morte d'un Tyran and Chants Populaires Hebraiques, and music by Brahms, Herio and Mahlar (Sun, Mon, Tues). Also Melos Quartet of Stuttgart playing Beethoven's A mi-nor Quartet and Schubert's Quartet in G major (Fri) (6541044).

BRUSSELS Palais des Beaux Arts (5125045): Moscow State Symphony Orchestra con-ducted by Gennadi Hozdestvensky with Viktoria Postnikova, piano -Tchaikovsky (Mon); Juilliard String Quartet - Mozart, Bartok, Beethov-

**NETHERLANDS** iam, De Doelen. Dutch Royal Mendelssohn (Wed, Thur). Recital Hall: Rotterdam Sinfometta led by Kees Hülsmann, violin, with Ana Maria Vera, plano: Mozart (Mon). Touring Music Ensemble led by Christian Bos: Martinu, Dohnanyi, Mozart (Thur). (4142911). cheveningen, Circus Theatre, Paco Pena in concert (Thur). (558800). aumingen, Oosterpoort, Schönberg Ensemble: Copland, Rudhyar,

Rudhyar Adams (Tue), (131044). msterdam, Concertgebouw. The Netherlands Philharmonic conducted by Ken-Ichiro Kobayashi, with Susan Kessler, contraito: Weber, Mahler, Ravel, Stravinsky (Tue). David Zimman conducting the Con-

certgebouw Orchestra, with Krystian Zimmerman, piano: Mendels-sohn, Brahms (Wed, Thur). Recital Hall John Shirley-Quirk, baritone, accompanied by Martin Isepp: Purcell, Vaughan Williams, Phisner, Lisst, Ravel (Inc). The Juilliand String Quartet Bach (Wed, Thur). (718345). Indhoven, Globe Theatre, Touring Music Ensemble led by Christian Bor: Martinn, Dohnanyi, Mozart

(Tue). (111122) **NEW YORK** 

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, Martha Argerich pieno, Paul Neu-bauer violin, Leonard Davis viola. Bach, Beethoven, Hindemith (Thur).

Lincoln Center (8742424)
The New Bel Canto (Federal Hall):
David Garland, described as a combination of experimental rock and contemporary concert work performs as part of the hunchtime concert series for the Wall Street area. (Mon. 12.15) (Wall & Nassau

ational Symphony (Concert Hall): John Manceri conducting R. Stramss, Mahler, Stravinsky, Scriab Chicage Symphony (Orchestral Hall): Sir Charles Mackerras conducting, Michele Campanella piano, Men of the Chicago Symphony Charus. Dvorak, Busoni (Thur.) (4858111)

November 14-20

#### TOKYO

Tokye Metropolitan Symphony Or-chestra, conducted by André Watts with Kazuhiro Koizumi, piano. Stra-vinsky, Liszt, Respighi. Tokyo Bun-ka Kalkan. (Mon) (822 9727). metana String Quartet. Janacek, Dvo-řák, Mendelssohn, Shinjuku Bunka Centre (Wed). (2351661)

Micrologus Ensemble for Medieval and Renaissance Music. All French ogramme. Acyama Theatre (Thurs) (237 9999)

NHK Symphony Orchestra conducted by Vaclay Neumann. Martin Tchaikowsky. NHK Hall (Wed. Thur) (465 1780).

Suntery Hall, Akasaka, Isaac Stern, Jaime Laredo, violin; Yo-Yo Ma, cel-lo. Haydn, Vivaldi, Mozart. Orches-tra, Toho Gakuen, conducted by Kzuyoshi Akiyama (Mon); Caechos-lovak Broadcasting Symphony Or-chestra (Tue); Debut Concert Series: Kent Nagano conducting the New Japen Philharmonic Orchestra with Naoko Ihara, alto and Ernst Haefli-Naoko Ihara, alto and Ernst Haeffi-ger, tenor. John Adams, Mahler pictures is what has been known. (Wed) (5051010).

and was much admired in its day. It is being sold by the family and carries an estimate of around £500,000.

The 1933 penny is the rarest

#### **FINANCIAL TIMES**

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Monday November 17 1986

## Mr Baker and the teachers

THE PROSPECT of further disruption in Britain's achools in the run-up to a general election is not one that is likely to appeal to Mrs Thatcher and her colleagues. Despite the persuasive powers of Mr persuasive powers of Mr Kenneth Baker, the Education Secretary, it would not be a all clear that the present divi-simple matter to pin the entire sion of powers is satisfactory. semple matter to pin the entire blame for such disruption on greedy trade unions. Thus there will be strong pressure on the Government not to on the government the agreement reached on Saturday between the local authority employers and four of the six

Yet the agreement is seriously flawed. At the very least the Government must seek to improve the structure of the deal, with the aim of offering better incentives for good performance and higher salaries for teachers in subjects such as mathematics and physics who are in short supply. Given the size of the proposed pay increase and the example it is bound to set for other public sector unions. Mr Baker has to make certain that in return he gets the improveorganisation that he has been

In several respects the weekend agreement was an advance on the traditional pattern. It now seems to be accepted, even by the National Union of chers, the largest union, that pay and conditions of service must be negotiated together. The duties of teachers, to be included in their contracts of employment, are spelled out in much greater detail. But in the sections of the agreement dealing with the Hukage of pay to performance and with differentials between junior and senior teachers, the negotiators went only part of the way towards meeting Mr Baker's goals.

Union anger

Mr Baker has already chinery for teachers pay and to replace it with an interim advisory committee on pay and conditions which would report direct to the Education

the local authority employers, who fear loss of power over the education system to a centralising government. Yet it is not at

At one end the Government ought to have more influence over certain aspects of the system, most obviously the core curriculum. At the other end there are strong arguments for devolving much more auth-ority to individual schools, so that the head and the governing body can manage their schools in a way that is more responsive to the needs of local market conditions.

Under such a devolved system the local authorities would still have an important co-ordinating role but the schools themselves would have greater control over their budgets and over the management and remuneration of their staff.

Pay structure

How such a devolved system could be reconciled with a national framework for negotiating pay and conditions is very much an open question. Quite apart from the economic arguments against centralised wage bargaining which have been put strongly in recent weeks by Mr Nigel Lawson, the Chancellor, a rigid pay struc-ture imposed from the centre makes the education system less able to provide what its customers want. No doubt some of the unions, led by the NUT, will fight passionately to defend their ability to set national pay scales, with the interests of the lowest-paid teachers given pride of place. This is an argument of principle which will be very difficult to resolve. But even if the Government decides on a qualified accepannounced his intention to tance of Saturday's agreement, scrap the Burnham negotiating it must ensure that the path to a more devolved system of pay determination which can res-pond to merket demands and reward good individual per-formance, as part of a wider reform of education, is kept

## Iran returns to haunt the US

traordinary dealings with Iran, but the constant, undeniable thread is the belief of this White House that ends justify means. President Reagan and the handful of those who have his ear inside 1600 Pennsylvania Avenue are probably about to find out that in domestic political terms this is not

necessarily so.
This is because US politicians and the influential national media have long been at least as much consumed by how things are done as by the goals behind actions, Most Americans might indeed, on reflection, not object to the intent of opening avenues of communication with Tehran - after all, a lack of them contributed mightily to the 1979-80 hostage crisis — but the secret methods and plain arrogance involved in this operation will take a lot of

stomaching. Congress, in particular, is already up in arms, with criticisms raining on the White Everyday drama House's heads from conservative Republicans as well as Democrats objecting to the excessive use of executive power without reference to the legislature. After last week's mid-term elections, the Democratic Party now has not only the votes but also the issue it previously lacked with which to belabour the President.

#### Military clique

Presumably more privately, senior Cabinet members like Mr George Shultz, Secretary of State, and Mr Caspar Weinberger, Secretary of Defence, will be expressing their fury at being left out in the cold. Mr Shultz might not go as far as his distinguished predecessor, Mr Cyrus Vance, who resigned in protest over the abortive rescue mission in Iran in the spring of 1980, but he is likely to demand a price for staying on board. Not for the first time the focus

of discontent is on the National Security Council, which appears to have planned the entire operation on its own. But, on this occasion, NSC freelancing, as practised by Dr Henry Kisand Mr Zbignlew ginger and Mr Zbigniew Brzezinski, is not the issue. It has been replaced by very reasonable concern at the president, of a military clique.

It is perfectly appropriate for a president to have military men advising him, but their role inside the White House had tradiscent of the 1970s.

THERE ARE many dimensions tionally been confined to logis-to the US Administration's ex-But, in the case of Iran and, it is also now clear, in providing support to the Nicaraguan contras, this NSC group, already known locally as "Washington's cowboys," have been actively in-volved in policy-making and operations on an unprecedented

> There is something in the cul-ture of the present White House which has made this possible.
>
> President Reagan himself loves action but is chronically disin-terested in details; his Chief of Staff, Mr Donald Regan, himself an ex-Marine, is the epitome of gung-holsm; above all, this president, whom the armed forces, by training, serve without question, has come to be seen as invulnerable. The scandals and leaks that plagued Presidents Nixon and Carter have been present in Mr Reagan's Washington, but he has been politically unaffected by

Whether or not the Iranian affair proves to be the exception depends not only on Congress but also on the US media. Under President Reagan, journalism seemed to have lost the investigation. investigative spirit that so characterised the 1970s. There are many reasons for its relative passivity, not the least of which has been the White House's uncanny skill at Ignorians. ing all written criticisms and revelations and playing instead to the less demanding lens of

As before, and in defence, Mr Reagan is already trying to go over the heads of Washington to the US public, perhaps with some success. But here, too, he may be holst on a petard of his own making. He has directed, with much skill, a domestic theatre that has transformed the plight of the hostages into an everyday drama, yet he has now been seen to have been manipulated by the same forces which undid President Carter. Mr Reagan was elected partly to prevent another such

humiliation. The net result is that the aura of confidence which had surrounded President Reagan and which had reassured America's allies as much as it growth of influence inside the had his domestic audience now NSC, and thus next to the glows much less brightly. This THE IVAN BOESKY SCANDAL

## Wall Street gets greedy

By William Hall and Roderick Oram in New York

yourself." So said Ivan Burnham Lambert — an event Frederick Boesky, addressing a he celebrated by buying a group of business students in \$80,000 red Ferrari. September 1985. For six years, however,

eptember 1985. For six years, however, The self-appointed king of Levine led a double life. Pub-

agency for the US financial markets, announced that Mr in the SEC's widening inquiry
a \$100m penalty for illegal to the second in a desperate his to the second in the s a \$100m penalty for filegal in- bei sider trading and had been to barred for life from THE US securities industry, where he has worked around the clock fo 20 years.

The magnitude of the news has stunned Wall Street. Mr Boesky is one of the biggest and best known speculators in the current merger and takeover wave in America. He is the SEC's biggest catch so far in its campaign to clean up insider trading on Wall Street. His prominence and connections and his pledge to co-operate fully with the authorities, guarantees that the reverberations from his downfall will shake the US financial community for months to come.

The Boesky affair is the most dramatic example to date of the huge fortunes which have been made in the US takeover wave. It is bound to fuel the perception amongst small American investors that the US stock market is rigged in favour of the big players. The fall of Ivan Boesky is an unwelcome re-minder of the uglier greedler side of Wall Street.

Nevertheless, his success and rewards—rumoured to run to hundreds of millions of dollars -attracted admiration and envy. His magic touch guaran-teed a loyal following which enabled Drexel Burnham Lambert, his investment bankers, to raise close to fibn to commit to his war chest

The seeds for Mr Boesky's downfall were sown in February 1985 when Mr Dennis Levine, a 32-year-old merger whiz kid who had just been hired for \$1m a Lambert's merger and acquisition business, began to cultivate his friendship. Mr Levine provided Mr Boesky with inside information he gained from a network of contacts reaching into some of the most presti-geous investment banking and

Dennis Levine was a rising star on Wall Street. He lived

Wall Street's arbitrageurs—the licly he helped corporate speculators who are greasing raiders like Sir James Goldspeculators who are greasing raiders like Sir James Gold-the wheels of the wave of mega-mergers sweeping America— Boesky has kept an unnaturally low profile for the last five months. Last Friday afternoon, he bounded spectacularly back into the headlines.

Some forty minutes after the close of trading on the New Confronted in May this year York Stock Exchange, the US by the huge case that the SEC Securities and Exchange Com- had built against him, Levine to be sentenced

Until last Friday the wider investigation, already the biggest insider trading case in US history, had netted only the small fish, who had been supplying Levine with information from inside such prominent investment banks as Goldman Sachs, Lazard Freres, and Shearson Lehman Brothers as well as Wachtell Lipton, the prominent takover law firm.

Wall Street had tried to distance itself from Levine by insisting that he and his young cohorts were merely aberrations from among the aggressive new breed of "yupples," the young upwardly mobile professionals, for whom making vast sums of money was every-

However, the revelations of Mr Boesky's intimate involvement has opened up a much larger and potentially more worrying chapter in the biggest scandal to hit Wall Street in recent years. "(It) makes the Dennis Levine case pale into insignificance," says Mr Paul Fischer, a Washington lawyer who helped bring the case against Levine as an assistant director of the SEC's division

The SEC has been criticised in the past for only prosecuting the little guy, says Fischer, who notes that "this really goes to the heart of Wall Street". He believes that the SEC investigabelieves that the SEC investigation will widen considerably
ity, that they may be inspired

scratch yours," says Mr Fischer, who believes that Mr Bossky has plenty of information about has plenty of information about He was often accompanied by other Wall Street players. One of his pet dogs on his hour "Dennis Levine had a lot of long chanfeur-driven ride to contacts, Boesky had even mora. This is a huge case."

Levin Receive Track. Where he was normally at more larger than the second track to his management of the was normally at more larger. his is a large case." where he was normally at work han Boesky was plugged into by 6.00. Tall, razor-thin and

contacts was built up over 20 years in the securities busi-ness. His agreement to ness. His agreement to co-operate fully with the SEC, including relationships prior to the Dennis Levine affair, must be deeply disturbing to hundreds of the people who have had contact with him over the

Marrying the daughter of the owner of Los Angeles' exclusive Beverly Hills Hotel. He drifted through a number of low level jobs in accounting and law, before arriving on Wall Street in 1966 where he started work as an analyst at Wall Street stockbrokers L. F. Rothschild. Moving on quickly to another firm he began his career as an arbitrageur, staking huge sums money on the outcome of takeovers

However, great success eluded him until he established his own firm in 1975 just as a tidal wave of mergers hit Wall Street. He shook up the arbit-rage establishment by advertis-ing for investors and hiring his own press agent. The subsequent decade has been a whirl of deals, huge profits and a blaze of self-publicity culminating in last year's publication of his book "Merger Mania" subtitled Street's best kept money-making secret."

He said he had written his book for all those people who wished to "learn of my special-

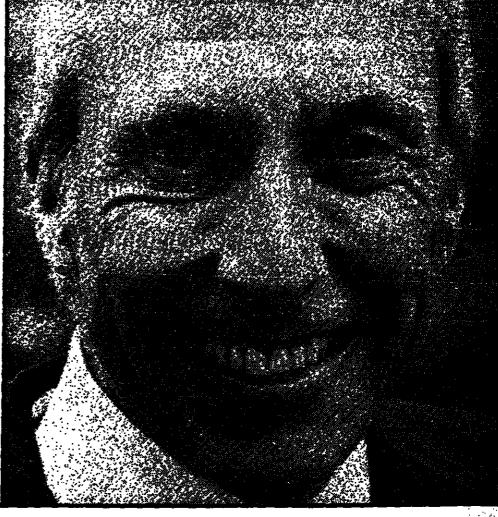
"The way the Street works his day began around 4.30am is, you scratch my back, I will after only a few hours of sleep in his mansion set on a 188-acre estate north of New York.

REED IS all right by the way: I want you to know that. I think greed is healthy. You can be greedy and still feel good about a managing director of Drexel and still feel good about the provise of a managing director of Drexel and the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone console the stood hyperactively in front of a 160-line telephone cons mation, the life blood of the arbitrageur. Several years ago a long-time acquaintance said
"his real secret is that he
employs everybody in Wali
Street That is where economy of scale comes in."
His phenomenal network of

His early life gave few signs that he would attain such power, wealth and prestige. Born into a Russian immigrant's family in Detroit, his first publicised money-making venture was to drive an ice cream truck through Detroit's parks at the illegal age of 13. His school career was indistinguished, although he excelled in wrestling. Through this "loner" sport he said he discovered that "natural ability was not necessarily as important as will, determination and desire to succeed."

"Arbitrage: Wall

extraordinary style, Reputedly



King of the arbitrageurs

worth \$2.3hn, SEC estimates Boesky profit \$4.1m. Levine's information came from inside

Mr Ivan Boesky has been involved in many of the threat US takeovers, and a host of smaller ones, over the past 20 years. So far, the SEC has published only its findings on those deals since early 1985 in which Mr Boesky acted on information supplied by Mr Dennis
Levine. These included:

1985. R. J. Reynolds
merger with Nabisco valued
at \$4.9bn. SEC estimates Boesky's profit: \$4m. Levine's information came from in-Lehman Brothers, Nabisco's adviser.

Takeovers in which Boesky was involved prior to knowing Levine included: ● 1984: Chevron's \$13.2bm purchase of Gulf Oil, the largest in US history. Bossky • 1985: InterNorth takeover of Houston Natural Gas

adviser.

believed to have made \$65m.

1984: Texaco's \$10.1bm
acquisition of Getty Oil.
Business Week estimates
Boesky profit \$100m.

In addition, Boesky profited from information • 1985: Burroughs buys Sperry for \$4.8hm, Boesky has 16 per cent Sperry stake. about takeovers or restructurings at Boise Cascade, General Foods, Union Car-bide, American Natural Resources and other com-• 1985: Hanson Trust buys SCM for \$500m, Beesky has 8.7 per cent of SCM. Boesky is also believed to have lost tens of millions of panies for total profit of

dollars on such deals as: ● 1984: Phillips Petroleum fights off raiders Pickens and Icahn 1982; Gulf Oil fake-over of Cities Service aborted on anti-trust grown

given to flashing an enormous mirthless smile, Ivan Boesky appeared to thrive on copious quantities of coffee, minimal food, gut wrenching risks and descript weeks dazzling profits.

He obviously delighted in me oviously delighted in money, even its physical form. He once fantasised in an interview about climbing to the top of a huge pile of sliver dollars. "Imagine wouldn't that be an aphrodisiac experience?"

The arbitraging community, which is said to have more than \$15bn at its disposal, plays a legitimate role in most big takeover battles by helping provide essential liquidity. But the "arbs," as they are known, of a target.

For his part, Mr Boesky has never hidden his admiration for corporate raiders who, he argues, are performing a useful public service by reinvigorating corporate America, shaking up sleepy managements who inefficiently deploy their

the ripples of the Boesky affair subside, some analysts are al-ready predicting that it could have far reaching conse-In particular, Boesky's excesses are likely to highten the growing concern already being shown by Congress at the takeovers swamping corporate America.

Mr Boesky's \$150m plus for-tune was made largely from the spoils of these takeover battles. From being a bit player on the sidelines he came to be a central character whose actions could decide which company would live and which would be liquidated. While there may be plenty of good economic to believe that confidence in one's self and determination can allow one to become whatever one may dream."

She acted out his dream in the arcs, as they are they have corporate the current wave of the current wave of should take some of the steam corporate restructurings, the large blocks of stock which role of arbitrageurs like Mr boom.

The acted out his dream in the corporate they have corporate their money—which in turn corporate restructurings, the should take some of the steam out of Wall Street's takeover boom. raiders who have also made Wall Street is still reeling large fortunes from their work, from the revelations about Mr

could be the arena where Con- mise but I suspect it will occur gress starts to consider restric- abruptly."

tive new legislation to curb the perceived abuses of the takeover

In his almost manic playing of the game, Ivan Boesky has violated the boundaries of America's rather hazy insider trading laws and his experience will be a salutory lesson for others in the arbitrage com-munity — some of whom have long depended on improper relations with investment bankers and lawyers close to deals. In future, they are likely to face more strangent laws.

Given a new reticence from their sources, arbitrageors will be more cautious in staking their money — which in turn should take some of the steam

is likely to come under increas. Boesky's blatant abuse of the ingly close scrutiny. But his close followers system. But his close followers Tomorrow's Congressional should not have been quite so smith's corporate raid on Goodyear, one of the pillars of the US industrial establishment, said: "I cannot predict my de-

#### From side to side

The way Robert Maxwell puts himself about, I suppose it is just about everybody will find him or against him.

Merchant bank N. M. Roths-child currently finds itself doing both at once, supporting him in one takeover bid and challenging him in another. Rothschild director John Gillom is advising Maxwell on how best to use his pivotal stake in the battle for control of McCorquodale, the printing group; while Peter Byrom is advising Turner & Newall on how best to best the Maxwell-controlled Hollis Group in the bid for AE.

A question of spreading rish at Rothschild?

#### Shah's tomorrow

The irrepressible Eddie Shah, chairman of Today, is planning to launch a new newspaper on Wednesday but it will only be available to delegates to the annual Marketing Society conference in London.

paper revolution (before the present one has run full course), Shah gave his three children—Martyn, 13, Tamsyn, 8, and Alexander, 6—the weekend task of writing and laying out a four-page newspaper on SCI CON.

To demonstrate what he

Shah believes the day of the expensive electronic systems, which cost Today more than fim, may soon be over and that desktop publishing using in-expensive personal computers may be the wave of the future. He equipped his children with an Apple Mackintosh and a software package costing \$400, complete with 40 different fonts of type to produce the paper. Alexander has been рарет. playing with computers since he was three and could type in instructions before he could spell his name," Shah tells me. Shah is introducing such esktop systems in his desktop systems in his Warrington newspapers. He is

#### **Men and Matters**

also experimenting with laser | band these days. But financial printers which, he says, may instruments could be another soon be good enough to replace | matter. Next month, he takes expensive computer typesetting machines. Clearly, despite the less than

triumphant debut of Today, the industry has not heard the last of him. Though cynics, of course, will be waiting on Wednesday to see if the Shah children deliver on time.

#### Mini-man

A happy 80th birthday today to Sir Alec Issigonis, creator of the Mini and just six months younger than Austin itself.

It was back in 1959 that Issigonis introduced the engineering concept — transfront-wheel drive—that car manufacturers the world over now follow in lesigning and packaging the

Issigonis, who had what might be termed a modest little success as well with the Morris Minor, officially retired in 1971, but he has been acting as an advanced engineering consultant ever since He receives regular visits

from Austin Rover engineers at his home in Edgbaston, Birmingham. A workshop at Longbridge carries out work he requests, and he comments on future engineering projects within Austin Rover

The Metro, ahead of the competition in 1980, owed some of that lead to work he had done in 1968 on a batchback model which never production.

**Brass section** 

Martin Owen regrets that he rarely finds time to play his bass in a Salvation Army brass

instruments could be another matter. Next month, he takes up the post of treasurer of County Group, the merchant bank within the National Westminster empire.

It is another swift move in the erratic but upwardly mobile career of the 40-year-old Welsh chartered accountant who made a small fortune by selling his insurance business when still in his early thirties. Owen served God as well as Mammon by working full-time

for the Salvation Army for a spell. Then, in 1982, he popped up as commercial relations officer of the Isle of Man, where numeer or me use or man, where he grappled with the need for a new financial supervision system on the island after the collapse of the Savings and Investments Bank.

Soon he was recruited by the Isle of Man Bank, a Nat-West subsidiary, as financial controller. By 1935, he was back on the mainland at the parent departure. bank's head office in a financial

management post.

Owen, who has also worked for the Welsh Gas Board and Harlech TV, says he is constantly amazed by the directions taken by his career. But the Salvation Army is a con-sistent thread. "That's my balance in life," he says. "One minute you are in the heady heights of international banking, the next moment your feet are firmly on the ground."

#### Mr Cube

A French tradition is to generate much heat and smoke over major architectural proects-particularly if they are in central Paris,

Richard Rogers' Pompidou Centre, and Pei's pyramid, which is now taking shape in the courtyard of the Louvre,

still arouse fierce passions.

The site of La Tête Défense crowns the view from the Tuileries up the Champs Rysees, and it has become an almost spared duty of each in almost sacred duty of each in-coming French President to veto the Tête Défense building project approved by his

This time, however, it is the turn of the architect to go off Johann Otto von Spreckelsen is leaving his huge hollow cube,

and is returning to his native Denmark. Le Monde expressed the view of many Parisians when it commented "Imagine Eiffel shandoning his tower in the

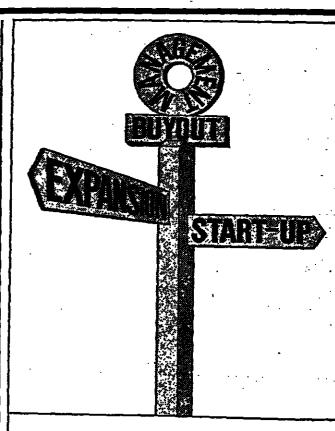
The cube is already growing at the rate of two storeys a week towards its eventual height of 110 metres. Von Spreckelsen has quit to demon-strate his disappointment at the Chirac government's deci-sion to abandon the high technology communications centre which was intended to be the cube's main tenant. Spreckelsen has been seen a an architectural idealist by his critics, and some of the other prospective tenants of the cube are slightly relieved at his

He originally wanted to impose the same grey carpet throughout the building, and he turned up his nose at fluorescent lighting. But whether or not he returns to see the completion of his building, he will be remembered in Paris as the man who filled the Tête

#### Hit the road Job mobility, as the Government acknowledged the other

day, is low, When times are hard, people stick at their work. But some conditions are too much to take. A Jobcentre in Kestmoor Newcastle-upon-Tyne, reports this from an application form: "Previous employment—lollipop lady. Reason for leaving-

Observer



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## Glasgow sells itself, smiles, and hopes

IS GLASGOW miles better? If city centre, people started tall-Scotland's largest city has ing us how lucky we were to achieved nothing else in the have the finest Victorian build-have the finest Victorian build-largest city has ing us how lucky we were to have the finest Victorian build-largest city has for decades had a

It should be said at once that anyone coming to Glasgow for the first time with the usual English preconceptions about the city being a dark, grimy, and frightening place is swiftly disabased. One's first visual impressions of central Glasgow are of elegant Victorian buildings want of them recently ings, many of them recently sandblasted, within sight of green hills. Glasgow has a pleasant feel about it; Glaswegiana do indeed smile at

But the revival of once-great cities has to be built on more than smiles, and Glasgow had a tremendous amount to recover from. The city was lashed by the downside of virtually every change that convulsed post-war Britain. The shift of Britain's Britain. The shift of Britain's trade from the empire to the Convinent of Europe left Glasgow appallingly in the wrong place, virtually killing off its port. The collapse of British shipbuilding—half the world's shipping was once built on the Clyde—destroyed much of its industrial base. Names like North British Loco and Beardmore in engineering and more in engineering and Napier and Denny in shipbuilding are now no more than

If that were not enough, drastic post-war attempts to drastic post-war attempts to deal with the notorius slums around the centre by shifting hundreds of thousands of people out to greenfield housing estates and new towns, and by erecting tower blocks, simply created new deprived areas. And, as Ewan Marwick, which executive of the Chamber chief executive of the Chamber of Commerce, says: "Just when we thought we were getting a modern image by put-ting up new office blocks and running a motorway round the

THE SETTING

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achieved nothing else in the past three years, it has produced a highly successful slogan that has spread from the city itself to the flanks of London buses and—suitably translated—on to the suitcases of Glaswegians going abroad. Last week the EEC endorsed Britain's choice of Glasgow as European City of Culture, 1990.

Glasgow is enthusiastically telling you that it is a much better place than you thought tweet roles and far better than it used to be. And, thanks to the intentional pun, that it is a city where people smile. But is city where people smile. But is this all just bragging by the exuberant Glaswegians?

It should be said at once that

For many people 1983—the year of the launch of the Glasgow's miles better campaign—was the moment of the real sea change. "By then businessmen had readised that recession was a fact of life," says Ewan Marwick. "The ones who'd survived realised they must be pretty good. And then we looked at other cities like Liverpool, Manchester and Binmingham and discovered they were worse off than we were. We had sur-vived. The big industrial em-ployers now include the Weir group, the Howden group, Barr and Stroud, and, in shipbuilding theGovan and Jarrow yards."
Undoubtedly a crucial event
in Glasgow's revival was the
launch in 1976 of the Glasgow

Eastern Area Renewal Project,

universally known as Gear, to resuscitate a vast area to the

east of the merchant city, as the commercial heart of Glas-

gow is known. The management of this, one of the first urban renewal schemes in Britain, was thrust on the Scottish Development Agency, an offshoot of section of sec

The SDA has itself poured in nearly £78m out of the total project cost of £470m; by carrying out landscaping and land reclamation, and by energetic wheeling and dealing, it has attracted private sector builders into the cost and Companies

into the east end. Companies like Barratt, Bovis and Bellway

like Barratt, Bovis and Ballway have spent nearly £80m on restoring and putting up housing there. The SDA has also helped industry to set up in the area, creating \$,500 jobs—though a roughly similar number of jobs in older industries have disappeared.

Pushed by the Conservative

tries have disappeared.

central government.

large Labour majority, has handed over others of the city's did it, but we can't wait until we get a government that's pre-pared to pay for us to do it,"

lane group, probably Glasgow's most influential businessman, and it is convinced that the future of Glasgow lies in service industries.

Glasgow Action wants to

attract the headquarters of both local and national companies and organisations to Glasgow and to develop the merchant

Major corporate headquarters in Glasgow are few and far between. One of them, Britoil, which came in under political pressure, is laying off nearly one-third of its staff, thanks to

the downturn in the North Sea. A new arrival of the kind that

Glasgow Action likes is broker services. A joint venture between Barclays Bank and

NMW which functions as a back office for smaller stockbrokers

is rapidly taking on more staff. But many more like it are

An elaborate document pre-

It has poor air links with the rest of Europe. Although it has some attractions as a place to live and work, these are "seldom perceived outside

software industry.

tered throughout the city ....
routes between attractions are worst bousing areas to private companies to redevelop and build new homes. "Of course we'd rather the local authority Glasgow Action is a good Glasgow Action is a good example of the qualities that have helped the city pull itself

amorphous and lacks memor-

"things to do and see are scat-

we get a government that's prepared to pay for us to do it," says Baillie Mullen,

Last year an organisation called Glasgow Action was formed to revive the merchant city itself. David MacDonald, Glasgow Action's eager director, sees it as the logical successor to Gear.

Glasgow Action may have a more difficult task than Gear: it aims to give Glasgow an entirely new commercial vaison d'atre. It is a consortium of businessmen and politicians, chaired by Sir Norman MacFarlane, director the MacFarlane group, probably Glasgow's ideological acts—the renaming of St George's Flace where the South African consulate is housed as Nelson Mandela Place is seen as a small price to pay to keep extremists under

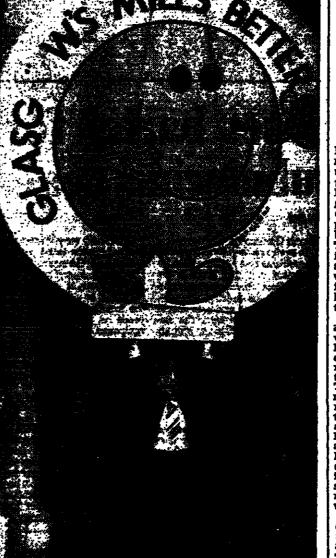
> The co-operation that worked in Gear also created the Glasgow Exhibition and Conference Centre—a four-way £36m joint venture between the £36m joint venture between the SDA, the District and Regional Councils, and private investors. It also won for Glasgow the right to hold in 1988 Britain's next garden festival—a kind of horticultural Disneyland — on a site reclaimed from dockland on the south bank of the Clyde. The ubiquitare SDA is reposing The ubiquitous SDA is running

The ubiquitous SDA is running it and putting in £15m—which is also the amicipated deficit on the £35m project.

Fast-footed teamwork last month gained for Glasgow the nomination by Mr Richard Luce, the Arts Minister, as European City of Culture in 1990 in succession to Flargare Amsterdam presentation, assembled in a matter of days, capitalised on the past years of building up the Glasgow-based Scottish National An elaborate document pre-pared by Glasgow Action and Opera, Ballet and Orchestra, based on the findings of a and developing a much more McKinsey survey presents a lively threate than anything daunting picture: Glasgow, it seen in Edinburgh outside the points out, is centre of only a festival.

What seems to have favoured Glasgow over other contenders to have favoured companies are centred.

Glasgow over other contenders such as Cambridge, Bath and the traditional rival Edinburgh (whose nose was severely put out of joint) was Glasgow's determination and enthusiasm



Lord Provost Dr Michael Kelly with Glasgow's newest symbol

as well as its ability to demonstrate that it had the facilities to put on a year of artistic

Paradoxically, the co-opera-tion between council and business seems to work because public spending curbs keep the council on such a tight financial But are determination and

But are determination and enthusiasm enough?
Someone closely involved in Glasgow's revival, says:
"We've got to add some substance to the show. The Garden Festival and the City of Culture are splendld ways to focus people's enengies, but if by the time they're over we haven't time they're over we haven't attracted some big head

attracted some sig sear offices..."
He might have added that Glasgow is the centre of a region — Stratinchyde — which shares with southern Italy the distinction of being the most deprived in Europe. Out beyond the Gear area are the

post-war estates like Easter-hoose and Castlemilk, miles house and Castlemilk, miles from any jobs, where there are still miserably few shops and pubs, and where many houses reek of condensation. Glasgow's housing department estimates that the city's housing stock needs 63hn spending on it.

needs £3hn spending on it.

The population is still declining as fairths outnumber deaths. It came down by 7,000 to 741,000 between 1983 and 1984. Peter Runciman, president of the Chamber of Commerce, says that three-quarters of the children in Glasgow leave school without a Scottish O level. "Most of our member firms require at least three O levels before they will offer them a job."

It seems a rather slender foundation on which to build a

at seems a ramer stender foundation on which to build a new sconony based mainly on service. But, says Essan Marwick, "in Glasgow we're all professional optimists, It's got us this far."

UK housing finance

## The truth about mortgage relief

By Giles Keating

this better than the economists Phasing-out tax relief on mort-gage interest expenses would cause immediate downward pressure on house prices, because of rational expectations. There would be an absolute fall in the price of cheaper houses

in the price of cheaper houses, so areas outside the south-east would be worst affected. Many he left with a house worth less than their mortgage.

Immediate abolition of the additional relief given to those

who pay income tax at the higher rates, however, is an excellent idea—provided it is replaced by an offsetting rise in replaced by an onsetting rise in the higher-rate tax thresholds. This switch helps to reduce regional house price imbalances; raises no one's tax bill; leaves the PSBR virtually unchanged; and improved incentives by and improved intentives by lowering marginal tax rates for a few people (high earners with low mortgages). It is a rare example of a Pareto-efficient improvement, that is it makes some people better off (by reducing regional imbalances) while making no one worse off. Contrast this to the abolition of higher-rate relief without an accompanying rise in higher rate tax thresholds. That would worsen incentives by raising marginal tax rates; for some middle management marginal rates would rise by 16 per cent.

Phasing-out all mortgage tax relief was advocated by John Muelibraer in the Financial Times of October 23. His aim is to cut house price inflation and to rduce regional dispari-tion in house prices which ties in house prices, which reinforce ishour market rigid-ities and cause high pay settle-

That would be tax reform in

Muelbauer's proposal is likely to have the opposite of the intended effect. Once the the intended enect. Once the phesing-out is announced, people will immediately reduce the amount they are prepared to borrow because they face higher outgoings in duture years. So most of the downward pressure on house prices will appear in one go straight areas, rather than being spread. away, rather than being spread

over several years.
Even at the current rate of house price inflation, that pressure would probably be enough to cause an absolute fall in the

DO NOT alter basic rate price of houses and dats in the mortgage relief! The electorate crucial price range of up to understands the economics of about \$45,000.

about £45,000.

To illustrate this, consider the cost of servicing a £30,000 mortgage, repaid after a typical seven years. Phasing-out relief over three years raises the present value of the servicing costs. by almost 30 per cent, from an annual average of about £2,660 to around £3,400 (even discountto around £3,400 (even discounting future years' payments at a generous 15 per cent). Although the corresponding reduction in demand for houses would be smaller, it seems likely that there would be a substantial price fall for cheaper houses. Such a fall would leave many individuals who had bought property recently with an asset worth less than their borrowings. As in parts of Holland and Germany, people would be unable to move. The rate of defaults would rise.

The worst-affected areas would be those where average prices were closest to the £30,000 tax relief limit, which means the more depressed parts

means the more depressed parts of the country. This change would cause macro-economic disruption and its micro-economic effect on labour mobility would be the opposite

of the intended effect.

By contrast, there would be considerable benefits from abolition of higher-rate mortgage interest relief, provided that the revenue is used to finance a £4,000 increase in all the higher-rate thresholds. Higher-rate relief is enjoyed by people whose properties cost far more than the £30,000 mortgage relief limit, so the proportionate effect on prices would be much smaller and would appear as a check in the present (excessive) would be concentrated in the South-East, thus reducing regional house price imbalances. Initially the effects would be small, because many higher-rate smal, occase many nigher-rate taxpayers already have a mort-gage of over £30,000, so their choice of how much to borrow will be unaffected, and this is why the switch is virtually revenue-neutral. Over time, the effect would grow as people with small mortgages whose

higher-rate cax found that it was less attractive to increase their

#### Markets for sugar

From the Chair Agricola (UK)

not my purpose to make out the case why it would be against the UK public interest if the sole UK cane sugar refiner were to equire the sole tilk beet sugar processor, with a combined market share of 94 per cent. I am concerned only to put the record straight with regard to Fernazi's alleged ability to manipulate the Eureopean sugar market to the disadvantage of Tate & Lyle in the United

The proportion of local sales of sugar in the EEC accounted for by Ferruzzi group companies is of the order of 12 per cent. About a third of the group's production of sugar is in Italy and the whole of that Italian production is said in Italy, a country which is generally a net importer of sugar. In consequence, Ferruzzi's Italian sugar production and sales are irrelevant to the position in the UK. Ferruzz's French subsidiary has a share of about 25 per cent of the French sugar market. It has long-standing trading links with French-speaking third countries and it speaking third countries and it has traditionally sold very largely to them the part of its sugar production that it does not sell in metropolican France. The amount of Continental sugar readily available, from sources outside the Feyruzzi group, for export to the UK substantially exceeds the whole of the production of Ferruzzi's French subsidiary. Ferruzzi is not therefore in any position to withhold supplies of Continental sugar from the UK as tinental sugar from the UK as your leader (November 7)

suggests.

H Ferruzzi acquires British Sugar, the Ferruzzi group will still account for less than 25 per cent of both total production and total sales within the EEC, even including Italy. Neither at the level of the FEC nor at that of any member state, including the UK, is such a proportion thought to be even capable of conferring market power that is liable to be

To my knowledgs, no one has ever suggested a plausible scenario in which British Sugar, as part of the Ferruzzi group, would swamp the UK with Continental sugar made by whom-soever (again see your-leader of November 7). On the contrary, there is a host of commercial. economic and legal considerations, each of which rules out persuit of such a course.

Tate & Lyle may possibly have a complaint about the level of cane raws set by the Community: the European Commission is currently investigating precisely this question. If the complaint were found to be

#### Letters to the Editor

By James Buxton, Scottish Correspondent

justified, the solution would be [ received no substantive explana-to raise the Community price of | tion for its decision. cane raws, to the advantage of Tate & Laie and the members of the Sugar Association of the Caribbean whose chairman wrote to you (November 13). But whatever the strength or weakness of the complaint the answer is not to exclude from the UK a vigorous company from another EEC country on the basis that the only way to protect cane sugar refining in the UK is through the creation

of a UK sugar monopoly. have been very content to leave these matters for the considera-tion of the Monopolies and Mergers Commission which will fairly shortly be producing a fully reasoned report. But in view of the campaign against Ferruzzi that is currently being mounted in certain quarters, it seemed to me, as chairman of Ferruzzi's UK subsidiary, necessary at least to correct some of the misunderstandings that appear to exist, (Sir) Richard Butler,

Allotting

shares

From Mr R. Kendrick Sir, — In the light of the Government policy of actively encouraging individuals to invest in the ordinary shares of British public companies, I felt I should bring to your attention a current example of the discrimination exercised by the City against private share-holders when allotting shares

in new issues Last week Kleinwort Benson offered for sale 23.6m ordinary shares in London and Metropolitan. The issue was 30 times over-subscribed which, after preferential applications, would give applicants an "equitable right" to an allotment of about

S per cent. In fact, applicants for between 2,500 and 6,000 shares have an expectation of receiving between 0.33 per cent and 0.8 per cent of the number for which they applied, while institutions applying for bet-ween \$00,000 and 1,900,000 shares were "lucky" enough to receive allotments varying between 5.26 per cent and 10 per cent. At its worst, this represents a bias in the basis of allotment in favour of institutions of up to 30 times. I have raised the matter with Kleinwort Benson but have

Given that the Government's present policy is one of actively encouraging ordinary share investment by individuals, I believe that two issues need to

be addressed by the Govern-ment as a repetition of such a policy in future new issues cas only serve to discourage private investors: the elimination of such discrimination by City institutions in favour of other City institutions and against the private shareholder; and further consideration of whether the City is able to regulate itself in a proper and equitable

5 Romsey Drive, Farnham Common,

Management distracted From Mr J. Timps

Sir,-Not all McCorquodale shareholders agree with Lex's comments (November 12) on Robert Maxwell. My wife bought a shareholding about three years ago at a time when the management was takefficiency through acquisition and various measures to reduce costs. If left to manage its own business, the company is in a phase of accelerating its record of profit growth and my wife—
like most other shareholders, I imagine—would like to see dividends and earnings per share grow on a sound and steady basis. She is not in the least grateful to Robert Maxwell for his intervention, as Lex assumes. Although a rise in share price is very welcome, it is suspect for anyone who does not invest on a short-term quick-buck basis.

the interests of shareholders against the forays, but longerterm damage may be done to the company through having to realise assets in order to justify a prematurely high share price. In fact, shareholders seem likely, under the proposals which are emerging, to be denied the right to be investors

any longer.

It seems tragic that a well established publishing and security printing business, combining a highly reputable past record and a prospect of new growth should be treated by Peter A. Clery, 'City'-based operators in this ! Buckinghom Place, SW1.

your columns—also November
12—were reporting the discussions at the CBI conference. Those speakers who deplored the short-term 'investment' atti-tude of the financial community Robert Maxwell for at least sub-stantiating their argument, but not so McCorquodale share-J. A. L. Timpson,

Agricultural solvency

From the Managing Director, Lands Improvement Group. Sir,—I like and admire John Cherrington and also have a high view of Lloyds Bank's economic section. There is, how-ever, a basic error in John Cherrington's ethoration Cherrington's otherwise excellent article (November 11) based on a Lloyds Bank

in assessing the balance sheet, and hence the credit worthiness, of British agricul-ture both Mr Cherrington and Lloyds assume all agricultural land and buildings are assets of the farming industry. They are

Over one third of agricultural land is still tenanted and by definition owned outside the industry and a rent has to be paid by the industry for the use of these assets. Deducting the appropriate, say, filth from the industry's asset reduces net worth from \$48.4bu

to, say, £38.4bm.
Next, (a small point) no banker should really allow a £3hn value for milk quotas. Such a transient asset, created at the whim of a multinational automatication. bureaucracy could disappear with equal ease. Overall, therefore, a more accurate picture of the industry's balance sheet would be: total assets £44bn borrowings £8.5bn, own capital £35.50n, i.e., £1 borrowed for every £4.2 owned by the farming industry. This is apparently still a healthy ratio but as Mr Cherrington points out the money in agriculture at current values is probably earnings little more than 2.5 per cent-3 buck basis.

buck basis.

Not only is the management distracted from its proper function of running the business by having to do bettle and defeat rowed must be costing say 13 per cent which is virtually the same figure, £110m. Thus at least the total earnings on the agricultural industry's equity are taken up by interest pay-ments on the borrowed element of agricultural capital. This has to be an unstable and unsatisfactory position and no doubt both Lloyds Bank and Mr Cherrington may care to reflect on a position which is far more serious than that suggested in the article. Overall the farmers are working for the banks with nothing left for themselves except wages.

Software International

in IBM® Software STOCKHOLDERS

November 14, 1986

On October 29, 1986, On-Line Software International, Inc. acquired a systems software hosinesis from Martin Marietta Data Systems. The systems software products that will be added to our existing product lines are Ramis® II, Consensus/UFO® and Unison.

This move represents a major step forward for us. We will increase our worldwide physical presence by adding five domestic and four international offices acquired from Martin Marietta. We will also welcome to our ranks 250 highly talented people. Finally, we will be vigorously supporting the acquired product user base, which is at present some 3,000+ strong.

It is a bold move...and yet we feel perfectly confident in making it. Systems software is the business we know—the business that has been our only focus since our founding in 1969. There are several factors we believe will support our continued success.

First, our new products, as well as our existing ones, are the finest in their field. We know the marketplace they serve and how to communicate with the user community. We know how to identify and meet the needs of our valued client base. And we know how to establish efficient and cost-effective business operations for product development, marketing, sales and support.

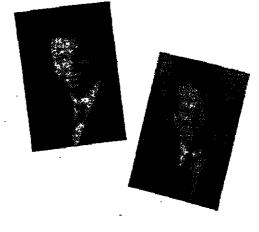
Secondly, we are in an especially strong position to accelerate our growth. We have produced consistent, excellent performance for the past seven quarters. In fiscal 1986 (ended May 31), we had revenues of approximately \$37 million, with net income of approximately \$2.7 million, or \$.66 a share-triple our fiscal 1985 earnings.

On-Line Software is dedicated to the support of our existing customer base, whom we thank for their loyalty and support, and we are committed to providing that same dedication to our new and most

On-Line Software International, Inc. is located at 79-83 Great Portland Street; London WIN5RA, United Kingdom. For information call 1 631 3696.

Chairman of the Board and Chief Executive Officer

Howard P. Sorgen President and Chief Operating Officer



## FINANCIAL TIMES

Monday November 17 1986



Roderick Oram on Wall Steet

## Razor-edge life of the

"OH GOD – I feel like a dog let loose on the freeway in the rush hour," despaired one Wall Street arbitrageur on Friday morning. The bad start to his day was nothing compared to the damaging way it was to end for the whole pack of high rollers who stake vast sums in - among other things - the takeover

He had been hit by the third extraordinary exploit in eight days by Mr Ronald Perelman, Transworld, known for its Hilton Hotels, announced it was liquidating itself to buy off the man who is currently the most aggressive corporate raider in America.

In earlier moves, Mr Perelman had accepted an offer from Salo-mon Brothers for his stake in the CPC food group. To many disgruntled arbitrageurs who lost money as CPC's share price plummeted the ploy looked like thinly disguised greenmail. Pocketing his \$40m profit, Mr Perelman launched a \$4.9bn

Friday seemed like just one more day in the recent months of fevered, speculative trading in takeovers actual and rumoured. Shares in Lockheed, the aircraft maker, for example, jumped \$8 to make a 29 per cent rise in two days purely on

rumour – or insider trading.
As janitors swept the debris from the trading floor after the close, the Securities and Exchange Commission lobbed a stun grenade into the financial community. Mr Ivan Boes-ky, a self-made legend among arbi-trageurs, had struck the higgest deal of his life. He agreed to hand back \$50m in illegal profits from insider trading, pay a \$50m penalty be barred for life from the securities industry and co-operate fully in further investigations by the watch-

dog agency.

Wali Street had known for months that he was under scrutiny but gossip had not prepared it for the scale of his abuse or his pledge

The repercussions will rock Wall Street For 20 years, "Piggy", as he was called for his monstrous share stakes, worked his contacts in countless investment banks, law firms, institutions and suppliers of ancilliary services to the takeover industry. Reputedly, he even paid airport employees to clock the comings and goings of corporate jets in which gave him a phenomenally profitable edge in arbitraging. He once estimated that 80 per cent of stocks were moved by arbitrageurs at one time or another.

Not that there is anything wrong with the business in its proper form. "Risk arbitrage is not illegal," Mr John Shad, chairman of the SEC, said on Friday.

"We may not come to work with a proxy from Mother Theresa, but we do perform a function," said one arbitrageur. The collective action of "arbs" trying to make money for themselves on their own research and judgment bids up share prices. Investors profit by selling to arbi-trageurs who in turn take on the risk in hope of greater reward. Moreover, the stock liquidity they perate greatly facilitates raiders vho believe they have a mission to shake up sleepy managements. "But," Mr Shad admonished, "it is

illegal to trade on material, non-public information." Some people on Wall Street swept aside that filmsy, ill-defined barrier as the takeover mania rocketed, sucking into the arbitrage game an estimated \$15bn and hundreds of players. Competition esca-lated, margins thinned and tactics

for some turned shadier. Rriefly this summer some of the worst excesses of "Garbitrage", as a distainful arbitrageur called the rough game, dried up in the after shock of the Levine affair. A managing director of Drexel Burnham Lambert when arrested for insider trading to the profit of \$12.6m, Mr Dennis Levine in turn blew the whistle on Mr Boesky, the king of

arbitrageurs.

Meanwhile at the self-proclaimed virtuous end of the market, many large investment houses deploy small, elite arbitrage units to exploit stock market opportunities in

other people's takeovers.

Their arbitrageurs avoid the taint of insider trading by isolating themselves from the rest of the firm sticking largely to analysis of public documents and resisting the temp-tation to call lawyers, bankers and others involved directly in the

"We'd be happy to get more information but we are bound by our rules," said a big firm arbitrageur. "Clearly others have an edge on us." None the less, playing it straight can still pay off magnificently for these firms which in turn hand-

somely reward the individuals who can take the tension As one Salomon Brothers arbitrageur confessed two years ago:
"Most of us have some form of personality defect. You have to, to want

to gamble with this much money."

## US proposes barter for Israeli submarine deal

rael can finance the construction volvement in selling arms to the abroad of three long-coveted, dieselpowered submarines, costing a total of \$450m.

The submarines, almost certainly to be built in West Germany, form brella of a single US prime contracan integral part of a 10-year \$1.25bn naval re-equipment programme be-ing co-ordinated for Israel by the

First reactions from Israeli officlass to the suggestion that the and would act as prime contractor country arrange offset sales of for the construction work carried goods and services in payment for out in Western Europe. the German work were unenthu-

top US Defence Department official, told his Israeli counterparts in not have an American shipyard in-Tel Aviv that there was no question volved. Without an American shipof the US directly financing the sub-marines or of Israel using US mili-European interest in selling this tary funds in third countries, as the country submarines."

arbitrageurs

BARTER arrangements have been Shamir Government had wanted.

To overcome the inevitable politipossibly the only – way in which Is
cal problems over West German in-Middle East, the Pentagon is proposing that the entire programme, including four corvette-class missile boats - be brought under the um-

> The US shipyard would co-ordinate the integration of sub-systems acquired in the US and Israel for

the German work were unenthusiastic.

Last week, Mr Dov Zakheim, a Stressing the package nature of the Pentagon's proposals, Mr Zakheim said: "We believe that without

The Israeli navy wants only the first submarine to be constructed hulls for the second and third could be built there, it says final assem-bly should be at Haifa in Israel. But the feasibility of this scheme de pends on modernisation and reequipment work needed by the state run shipyard

To help ease the inevitable cash flow burden on the Israeli detence budget over the next few years, the Pentagon is continuing to urge Is-rael to make a choice between its controversial Lavi combat aircraft project and the navy's needs. The US is clearly in favour of the latter. In addition, the Pentagon report suggests that for cash flow pures it would make sense to delay

the start of construction of the submarines for two years. The powerful missile boats, codenamed Saar-V, could on the other hand be

## UK minister sees insider case as success for self-regulation

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

THE ACTION taken by Morgan Grenfell, a leading UK merchant bank, in enforcing the resignation of Mr Geoffrey Collier as its securities chief demonstrated that self-regulation was working well and ef-fectively, Mr Michael Howard, the British minister responsible for City matters, said yesterday.

Mr Collier resigned last Monday after admitting dealing on the basis of confidential, inside information. Mr Howard said that the action which Morgan Grenfell took "demonstrates that self-regulation is working and is working well If a fortnight ago anyone suggested that a major house would dismiss one of its very senior employees for a breach of its internal rules that might have been greeted with a de-

Mr Howard, under-secretary for corporate and consumer affairs, also argued that it would be less easy to get away with the offence of insider dealing in the future than in

His comments follow the Government's announcement on Friday evening that it was bringing into of the new Financial Services Act to facilitate investigations into alleged insider dealing. On Saturday two inspectors were appointed to ex-

amine allegations relating to Mr

Collier and any possible associates Mr Howard said in a radio interview that the inspectors would start nediately. He said the provisions of the Act had been brought into operation sooner than previously that there were circumstances mer-

> Mr Howard admitted that in the past it had been difficult to prove and get the evidence but this should be eased by the tough new powers.
>
> Moreover, he said, insider trading would become more difficult partly because much more information was becoming available about dealing in shares which made it much easier to identify price move-

ment in shares which might aler

Solicitors for Mr Collier issued a statement over the weekend emphasising that he had "at no time communicated to the Stock Exchange, nor specifically to its professional standards panel, any statement or allegation about insider dealing by anyone. He has no such knowledge or intention."

The solicitors said they had told the Department of Trade and Industry that Mr Collier was willing to assist in its inquiries into his breach of Morgan Grenfell's rules. lanned because it became "clear • David Lascelles adds: The Department of Trade and Industry has pointed Mr Peter Scott, QC, and Mr Graham Kennedy of the stockbroking firm James Capel to investigate allegations of insider trading in the Geoffrey Collier case.

They will report back to Mr Paul Channon, the Trade Secretary, who will the decide whether to recent

will then decide whether to mount a prosecution. Insider trading is a criminal offence punishable by fine or

#### UK sets up team to secure **Channel** tunnel jobs

By Andrew Taylor in London

A SMALL, permanent team of civil servants has been established by the UK Department of Trade and industry to try to ensure that British companies win as much work as possible on the Anglo-French Chan-

It is thought to be the first time that the department has established such a team for a single project. Another small permanent team has also been established to aid British companies and keep them informed of export opportunities in the offshore oil and gas sector.

edium-sized companies, which lack the sophisticated monitoring and marketing expertise of larger contractors, are not always aware

In the case of the Channel tunnel at least 30 per cent of the construction costs of £2.5bn (\$3.7bn) at 1985 prices must be placed with third parties, other than the 10 major British and French contractors which are to build the tunnel.

The department says this presents an enormous opportunity for various sectors of UK industry to benefit from the many subcontracts the project will generate. EEC legislation requires that any sub-contract worth more than Ecu lm (\$1.03m) must be put out to international tender and advertised in the Official Journal of the European

Community.

Two senior civil servants are employed full time in the department's Channel Fixed Link section, with one person designated in each of the department's 10 regional offices to handle inquiries and provide information on tunnel contracts.

As a first step, the section, which is working closely with Trans-manche Link, the construction arm of the Channel tunnel consortium, has been attempting to get companies to register with the Trans-

Details of individual contract opportunities as they arise on the British and the French sides will be provided by the department either directly through its regional offices or through contact points at more than 100 chambers of commerce and trade associations.

"Our objective is to ensure that UK industry has background inforation about the project, is aware of the opportunities and procure ment procedures and therefore ready to compete for contracts against international competition. says the department.

Requests for tenders from Transanche so far total 39 in the UK and 18 in France. Contracts already awarded by the British contractors include a £8m order for two tunnel boring machines placed with Howden (Grosvenor Tunnelling) and a £1.2m order for rack and pinion adhesion locomotives placed with Hunslett of Leeds, in northern Eng-

are also being considered by the unit established on the Isle of Grain to build the tunnel's precast concrete linings. A £10m contract for aggregate has also gone out to ten-

Orders are being placed now so that contractors can start work on constructing the tunnel as soon as the Channel Tunnel Bill is passed and financing arrangement chided by autumn next year.

#### Aide may not testify on arms

Continued from Page 1

mation and Congress only needed to be informed on a "timely" basis. The Washington Post reported this weekend that President Rea-gan had instructed Mr William Casey, head of the CIA, not to inform

Mr Shultz issued an umusual statement through his spokes last Friday, saying he "was not di-rectly involved, although he was sporadically informed of some de-

Mr Casey is expected to give evidence to Congress about the affair, but it is not clear whether he will be

cratic leader, described the affair as "a major blunder which has undermined the credibility of the Admin istration and the nation. Mr Patrick Leahy, vice chairman of the Senate intelligence commit-

tee described the arms shipments as a "fiasco" which had damaged US anti-terrorism policy imme

use the vehicles would be put on arrival in Iran. In the light of that information, it would proceed with export licence applications presuming THE LEX COLUMN

## Ivan the terrible

Perhaps there is such a thing as gemme risk arbitrage – a different operation from insider dealing, and more respectable – but the fall of lvan Boesky makes it seem a lot less likely. The connection between Mr Boesky's recent activities and those of Mr Dennis Levine makes it clear that common sense was alway near the truth in suspecting that there was more arbitrage than risk in some of the more successful games on Wall Street. If you know the next nove now, while outsiders in the market are still guessing, that provides an opening to buy cheap and sell dear: there ain't no risk about it. The fear that Mr Boesky's confes-

sion may herald a general retreat in Wall Street share prices - and London prices for that matter - is not to be dismissed lightly. In itself, the liquidation of the Boesky arbitrage book would probably make only mi-nor ripples – and the SEC has allowed the process to stretch out into 1988. But there is also reason to wonder if some of Boesky's col-leagues and imitators may not also decide to undo some of their more inspired transactions; there could be an uneasy few days in the share prices of companies that would otherwise have been among the next group of takeover plays. The fear of tidal selling by nervous in-siders can be taken too far, however. Any practitioner who is seri-ously thinking how not to get caught will be just as security conscious in the present emergency as in the normal course of profit-tak-

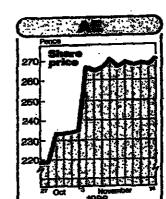
On a deeper plane, a sudden di-minution in risk arbitrage invest-ment may have a noticeable impact on the market's perception of share values. For a couple of years past, Wall Street has been living on borrowed time, in the sense that only the retirement of equity through leveraged takeovers and stock buvins has made it possible for the market to show reasonable earnings growth.

Remove the takeover activity.

and the market would surely have been as flat as underlying corporate

Remove the arbitrage deals which have as their underlying purpose the delivery of control to ag-gressive bidders, and you may stall the machinery which has been so successful at maximising shareholder returns.

How badly the demise of Mr Boesky cramps the market



pend, above all, on how many other large operators prove to have employed similar methods. Foster Winans was a mirmow who swam, and sank, in the company of some fairly insignificant pand life. Dennis Levine was higger game, but in rela-tion to Mr Boesky he figures as little more than a pilot fish. The trawl of insider connections up and down Wall Street seems likely to bring in some pretty fair sharks; it will be next to a miracle if the riskless arbitrageurs who stand to be indicted by Mr Boesky do not in-clude some equally prominent

Whether anything remotely similar turns out to be true of Mr Geofopenly dealing through only a stock-holders will get their hands single off-shore company - and only on the assets in 1999. single off-share company – and only making £15,900 at that – suggests that London's cause celebre may not be focussing attention on the right place. The invidious comparison with an operator who has agreed to hand back \$100m might indeed be taken to indicate that London has little to worry about if

Compliance manuals as thick as ething new in the London market, to go with the Chinese walls that protect the greedy from opportunities which previously did not exist. But the thing which has not changed is the ability of detarmined insiders to extract values from oth-

this is the best it has to show.

cautions is worth doing - if it frightens the others - but it will not step insider trading.

#### Split-level trusts

Once upon a time people thought that investment trust shares could be sold on discounts of less than 10. per cent. We now know that not in be true. However, that primitive misunderstanding of natural forces was built into the mechanism for the rearrangement - in 1967 - of the split level Throgmorton Secured Growth Trust, an event set for the distant inture of 1988. The rash promise of 20 years ago, to buy in the capital loan stock at a 10 per cent discount to net assets, could only work if the trust were able in sell again in the market at a profit. When it became apparent that any such stock tendered would have to be sold at a whacking loss, rapidly running the trust and so harming both sets of shareholders, a change to the restructuring plans became

After three years' work on the problem, the Trust seems to have struck about as fair a balance as it capital stockholders. The facome shareholders have been asked to take up a 13 for 16 rights issue at a premium to compensate the capital stockholders for the loss of their frey Collier's cooperation with the tendering right. Thereafter the in-UK authorities is perhaps less cer-come shares will get a stake in the

The market's reaction to the pro posals has been to push up the prices of both types of stock in a-vance of this week's vote on the pro-posals. Indeed, interest in split trusts seems in have been growing generally: there have been a couple of new issues and a conversion this year, and more are likely.

The problem with such trusts is the average dictionary may be the potential conflict of interest between the income maximis tween the mixime maximisers and the go-for-growth group. Conven-tional wisdom states that fast grow-ing companies should pay out less in dividends; the market reinforces this theory by pushing down yields on such shares. The counter-arguent runs that carefully selecte It is done by taking in each oth-high yielders might outperform the er's dirty linen, ensuring that no in-others by realising their scope for sider need ever appear party to a recovery or being taken over. Per-dubious transaction. Catching those haps the first group are the flat ear-

## London financial markets face major administrative changes

BY DAVID LASCELLES, RANKING CORRESPONDENT

by the Bank of England.

formed the British Bankers Asso- is already in charge of the money

MAJOR CHANGES in the adminis-tration of the UK wholesale finan-cial markets are being introduced eign exchange and currency deposit

ship of money brokers and foreign kers may not do business with any exchange brokers.

They also clarify the Bank's suthan 10 per cent of them. This new

pervisory role in the wake of Big rule is designed to have the same Bang, which requires all financial effect as the O'Brien Letter. markets to have a clear regulatory

markets from owning more than 10 The changes are intended to per cent of a broker in those mar-bring all the wholesale markets ~ kets. The rule, named after a for-the money markets, gilts and for-eign exchange ~ under a single su-pervisory umbrella, and remove a regulatory obstacle to the owner-land to prevent potential conflicts of in-terest.

Instead, the Bank says that bro-

Internally, the Bank has also structure. The Bank will soon issue switched responsibility for the daya consultative document on the ad- to-day supervision of the foreign exministration of the wholesale mar- change markets to Mr Eddie George, the executive director in ciation that it is withdrawing the and gilt edged markets divisions;

the addition of foreign exchange will bring all the wholesale markets into a single division. Mr Anthony Loebnis, executive

director, overseas, who was previously in charge of foreign exchange will remain responsible for strategy and international negotiations. Supervision of the whole

markets will be carried out by a new division headed by Mr John Townend. Mr Tony Coleby, the head of the money markets division, will become chief monetary adviser to the Governor, and will be replaced by Mr Bill Allen. The Bank says these changes are

a logical response to the changes in London, where wholesale dealing in different markets has become inbe more efficiently supervised.

#### Boesky case may curb takeovers Continued from Page 1

invitation to anyone who thinks that deregulation has gone too far. It would be a shame and perhaps harmful, but it would be under-

Many observers believe that the SEC's investigation into insider trading will not end with the depar-ture of Mr Boesky from the scene. It is expected that the SEC will be taking a close look at the investors who committed up to \$1kn to Mr

World Weather

gency hearing tomorrow on Sir wave of U. James Goldsmith's bid for control have failed.

Hode Bo do J'o Sanse Bone Sanse Saharay Sans Francis Sansaharay Spalmay Talagar Tangar Talagar Tangar Tanga

Boesky earlier this year as well as of Goodyear, the works's higgest the various corporate raiders who might have had dealings with Mr yer, the Mayor of Akron – Good-Boesky in recent years. Like Mr Levine. Mr Boesky has agreed to cooperate fully in the hope that he can avoid a jail sentence.

yer, use mayor of Allon - Good-year's home town - has been seeking support from other politicians across the US to stop corporate raiders like Sir James from taking can avoid a jail sentence.

A sub-committee of the House of Representatives Judiciary Committee is scheduled to hold an emergiant the perceived abuses of the perceived abuses of the

wave of US corporate takeovers

played down

Continued from Page 1

firm reports that the agency repre-sented Middle Eastern arms dealer

The quotation is valid until De-

Mr Michael Kennedy, Land

Rover's communications director.

rejected media suggestions that the

had followed its normal practice,

and requested from the agency de-

tailed information about to what

it were to be offered the contract.

Iran link

Mr Adnan Khashoggi.

Congress of the operation. The President also gave only scant information to top officials, including Secretary of State George Shultz.

Mr Robert Byrd, Senate Demo-

negotiations had been taking place in secret. He also said Land Rover

> Mr Robert Dole, Senate Republican leader, said: "I am trying to think of a way to support the Presi

THE UPWARD TREND IN INTERNATIONAL/INVESTMENT The first six months of 1986 proved extremely successful for us at the Kuwair International Investment Company. Operating profit was over 400% up on

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the same period in 1985 and performance

across all key ratios showed a marked improve-

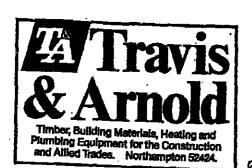
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## SECTION II - COMPANIES AND MARKETS FINANCIALTIMES

Monday November 17 1986



## New issue volume swells in Eurobonds

THE EUROBOND market was in issue at its launch. They may be es- about the dollar, other currencies, change-rate expectations trigge one of its traditional moods of feast sential if it is to take off afterwards. including Canadian and New Zeaand famine last week: after an exceptionally quiet start, new issues came thick and fast, writes Haig paper for a sovereign borrower en perhaps by the maxim that it renian in London.

The reasons were less obvious. The cynics may whisper about syndicate managers' pent-up demand for new business to justify their year-end bonuses. The Cassandras, on the other hand, saw this week's events as just another sign of the Euromarket's gradual decline.

in a still fragile secondary market, where retail demand remains very much on the sidelines, more charitable answers take some finding though they are not invisible. The heart of the matter is the Euromarket's perennial problem: one lead manager's window being everyone else's display case. When one house sports what it may think is a reasonable issuing opportunity. a dozen others are likely to follow.

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7. TEL:

With a continuing overhang of paper in a largely professional secon-dary market, special features now jumbo for Denmark: and Chemical when in doubt. Bank International's detour around Ecu paper al

regulatory obstacles to let some Japanese banks issue Eurobonds even if dressed up as certificate-ofdeal for Dai-Ichi Kangyo's London Run of the mill issues faced the

danger of being eclipsed by mid-week as new-issue volume swelled. Despite the credit quality and goveriment guarantee, Nippon Credit International was kept busy persuading a market wary of 10-International was kept busy may have helped the EIB issue, persuading a market wary of 10-year paper to buy its \$100m straight deal for Japan Air Lines. Deutsche Bank Capital Markets also had its work cut out to sell its \$100m dustry tapped new areas of investor demand, according to Warburg Section of the control of the Bank. The timing was outside the lead manager's control, however, as the ADB was refinancing an earlier Swiss franc facility.

Among this week's novelties have land dollars, came to the fore. The been Thurday's debut of two-year Swiss franc had a bosy week, drivwhen Shearson Lehman led a 51bn mains a lead manager's best bet

Ecu paper also staged a come-back, with four new issues last week. Not all met with investors' faeven if dressed up as certificate-of-vour, however. The paper for the deposit notes - in the next five-year EEC and EIB went down well, but Morgan Guaranty's Ecu 50m deal for the Mortgage Bank of Finland was struggling and trading well out-side its fees by late Friday after-noon. Changes in the Bundesbank's rules to allow German residents to open Ecu-dominated bank accounts

The yen sector staged the biggest comeback. An improvement in the Japanese equity market and some recovery in government bonds help-

the rise in ven-dominated new is-

The market thinks the Bank of Japan is trying to ease down shortterm interest rates, On the currency side, the yen has been showing renewed strength, despite the recent US-Japanese exchange-rate
pact The dollar has been trading in
the Y160 to Y162 range, and the Japanese currency's strength has anese currency's strength has prompted lead managers to bring

out new Euroyen issues. Volume could rise next week if the dollar falls below Y160, as some bankers expect. Investors are still wary of longer maturities, and prices even for five-year issues slipped between % and % point on Friday on account of what seemed a deluge of new paper the previous

Y16hn 5% per cent 1992 bond, led by Sumitomo Finance International and priced at 101%. Nomura International followed with a Y40bn 5% per cent 1991 issue for New Zea-land, priced at 1914. The coupon rope), it was being quoted at less 24 land, priced at 101%. The coupon rope), it was being quoted at less 2% apart, this deal was identical to that bid by late Friday afternoon.

Rdary Marint 22,226.5 1,675.8 17,877.8 4,763.5 24,367.3 1,663.3 12,344.8 4,867.5 12,772.7 221.2 3,446.0 6,428.5 14,544.6 248.8 2,546.5 4,004.4

withdrawn by Daiwa.

Underlining investors' reluctance to buy maturities over five years, groups electricity generating industries, went down with a thud. Led

The five-year facility bears an an-nual commitment fee of 7.5 basis able to solicit bids for each ad-been fulfilled by issues of commen

MCA, the US video and entertainment concern, has appointed Salomon Brothers as arranger on a

award a mandate for a \$350m loan. Bankers in Hong Kong expect the the range of % to % per cent over Li-

#### **Further** setback to Dome debt plan

DOME PETROLEUM'S efforts to stave off bankruptcy suffered a new setback with an ultimatum by a small group of public creditors demanding repayment of their loans to the debt-laden Calgary oil and

gas producer.

Dome said that two groups holding C\$240,000 (US\$173,410) of Swiss franc notes which matured at the end of October have threatened to take legal action if principal payments are not made. The company declined to identify the parties, beyond saying that one was a group in Switzerland and the other a European individual.

Underlining its dire financial position, Dome announced separately that it suffered a loss of C\$893 equal to C\$2.16 a share, in the third quarter compared with a CS19m, or 5 cents, suffered a year earlier. From being close to break-even point in 1985, Dome has lost C\$875m in the first nine months of this year. Debts total CS6.2hn. making Dome one of the world's biggest

The company has spent the past two months obtaining temporary waivers on interest and principal payments due to 54 bank lender and its public creditors to give it breathing space for the negotiations of a capital restructuring plan. All but one of the bank lenders and a clear majority of public debt holders agreed to grant waivers until

The sole dissenter among the banks, Bayerische Landesbank of West Germany, has said that it will delay legal action until mid-1987. A Dome official said the company would contact the recalcitrant note olders today to inform them of the serious consequences of their proposed action. Cross-default provisions allow other creditors to move against the company if one group is

## Toshiba discusses link with Motorola

BY IAN RODGER IN TOKYO

the US, two of the world's leading producers of semiconductors, are discussing collaboration in Japan.
This is the second proposed tie-up involving US and Japanese compa-nies since a controversial agreereached between the two countries in July. Three weeks ago, Fujitsu,

leading US chip maker.
Toshiba, which claims to be the fourth-largest semiconductor maker in the world, confirmed yesterday that it was discussing a second stage of collaboration with Motorola. This would follow the start-up last May of an agreement under which Toshiba supplies memory Department, chips to the US company. Motorola, US companies have complained

stopped making its own memory chips last year.
However, Toshiba would not con-

TOSHIBA of Japan and Motorola of joint venture in Japan next year to roprocessors units. According to the report, the venture would build a
Y30hn (\$187m) plant in Izumi City
about 250 km north of Tokyo.
A joint venture could help Motnrola achieve one of the objectives of

the Japan-US semiconductor agreement. Under the deal, US compathe Japenese computer maker, au-nounced its intention to buy 80 per cent of Fairchild Semiconductor, a leading US chip maker.

nies were to be given improved access to the Japanese market.
Fairchild would gain similarly if it were taken over by Fujitsu. US officials visited Tokyo last

week to monitor the prices part of the accord, the other main thrust of Japanese producers agreed to raise their export prices to "fair" values established by the US Commerce

the world's third-largest semicon-ductor maker after NEC of Japan and Texas Instruments of the US, deals. Japanese statistics provide some support for this view, showing sharp recent increases in exports of firm a report in a Japanese newspa-per that the two will set up a 50-50 Asia and Latin America

#### BankAmerica produces details of restructuring

BY OUR FINANCIAL STAFF

BANKAMERICA, the troubled US in finiture would be to concentrate west coast banking group strugging to fight off an unwelcome takeover approach from First Inend details of its long-awaited plans to restructure its operations and to reduce its 75,000 worldwide staff by

more than \$3 a share to the bank's services businesses." Capital made book value, bringing it to a new lever available from the "refinement of el of about \$24.

terstate, produced over the week- vices in the national and interna-Activities which do not contribute

5,000 before the end of 1987.

Mr A. W. Clausen, recently appointed chairman and chief execusal, the bank said, although it also tive, predicted that the measures, forecast that it would own and op-taken together, would contribute erate a variety of related financial d of about \$24. its strategy would be used to in-The bank said its main objectives crease capital resources.

## ICO credit oversubscribed despite Libid pricing

it for ICO, Spain's state financing agency, was oversubscribed in the Euromarkets last week despite its very fine pricing which includes a margin of 15 basis points over the London interbank bid rate for Eurocurrency (Libid), writes Peter

Although small, the deal attracted considerable attention because of the Libid base for the pricing, which is extremely rare in the Eurocredit market. Libid is traditionally % point below Libor (the London interbank offered rate), and its use as a benchmark by ICO prompted fears that other borrowers might seek to use it as a new

ICO loan, which was arranged by standby is being cancelled. The new Citicorn the question now is Citicorn deal, alongside a separate whether Libid pricing might be \$250m domestic facility in the US, adopted by other horrowers. The replaces it

however, because ICO was helped by the fact that the loan carries tax receipts promising extra returns to lenders in the UK and Belgium.

Moreover, bankers report a slug-moreover, bankers report a slug-moreover, bankers report a slug-moreover a slug-moreover. Some super specially specially showever are some super solutions and drawings will carry an interest margin of 20 basis points offered over London interbank offered rates plus a utilisation fee of up to rates plus a utilisation question is still hard to answer, however, because ICO was helped by the fact that the loan carries tax

The five-year facility bears an annual commitment fee of 7.5 basis points, and drawings will carry an the Soviet Foreign Trade Bank which carries an initial margin of %

May Department Stores is arranging a \$500m facility in the Euromarkets, also under the lead of Citicorp. The deal will replace an earlier \$1.5bn standby loan facility taken out in the US domestic market at the time of May's bid for Associated Dry Goods earlier in the year. Following successful comple-tion of the bid, which was eventual-With the oversubscription of the ly financed by an equity issue, the CO loan, which was arranged by standby is being cancelled. The new

Elsewhere, Wimpey, the UK confacility through Lloyds Merchant Bank which will allow it to raise funds through the issue of bankers' acceptances or short-term advances. Wimpey is not including a commercial paper dealership in this deal, as it prefers to appoint dealers for paper separately.

National Home Loans Corpora-tion has appointed S. G. Warburg to arrange a £200m tender panel loan facility which will be partially backed up by a privately arranged £125m chib credit completed earlier

ufacturers Hanover has won a struction company, has launched a £100m loan facility mandate from £240m uncommitted tender panel Wagon Finance, the UK finance Wagon Finance, the UK finance house. This deal carries a threeyear 11-month renewable maturity and carries a commitment fee of 10 basis points for the first two years rising to 12% points thereafter. Maximum margin on drawings is 12% points with an additional utilisation fee of 7½ points if over half is

Mitsubishi Bank has appointed Samuel Montagu to act as dealer on a £200m sterling certificate-of-de-posit facility, the latest in a series of operations by banks wishing to cash in on the demand for short-

\$500m Eurocommercial paper programme which will complement its existing commercial paper borrow-County NatWest. Chemical Bank has been appointed dealer on an Ecu 200m certificate-of-deposit pro-gramme for Sanwa Bank's London

eight-year deal to carry margins in

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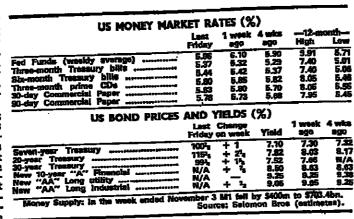
18th July, 1986

## Anxieties fade as Fed buys Treasury bills

WITH the quarterly refunding out of the way, the US credit markets were able to register a reasonable raily last week, with prices of long-dated Government securities rising by close to two points while short-term rates remained roughly

unchanged. Salomon Brothers blames three factors for the previous week's setback: dealers' in-ability to distribute a massive volume of new Government securities quickly; the response to the cautious tone of the Sep-tember Federal Open Market Committee directive; and concern that October's strong em-ployment growth might presage real economic acceleration.

"These anxieties began fading this week as it became apparent that there is currently apparent that there is currently little pressure on the central bank to change its policy course," says Salomon Brothers' Henry Kaufman. Indeed, he notes than the Federal Reserve Bank has been responding Bank has begun responding with alscrity to pressures in the Federal funds market. Following the previous week's large Treasury bill sales, the Open Market desk at the Fed bought a substantial volume of nt coupon issues this week — the first coupon pur-chase since December 1985.



week's economic data allayed fears that a strong burst in economic activity was in the offing. Mr David Jones of Aubrey G. Lanston says that the eagerly awaited economic figures had little net market impact. "There was, on the positive side for bonds, the influence of the smaller-thanexpected, 0.2 per cent increase in October's non-auto retail allayed fears that a strong in October's non-auto retail sales and unchanged industrial production. On the negative side, there was the higher-thanexpected 0.3 per cent October increase (3.6 per cent annual rate) in producer prices."

The corporate bond market was extremely quiet last week, with trading in intermediate-term markets "almost nonexistent." according to Smith Barney. It notes that the most conspicuous theme in the US corporate bond market at the moment continues to be investor anxiety about takeovers. A number of investors in cor-porate bonds have been badly burned following takeovers by highly leveraged corporate highly raiders raiders which have trans-formed the credit ratings and effectively reduced the quality

trial takeover, for political and regulatory reasons.

It says that the list if individual issuers whose paper inves-tors feel comfortable purchasing has been dwindling continuously in recent months. Investors and traders must make some assumptions when investing and only large, high quality issuers like IBM or Dow enable them to assume con-tinuity of the issuer's credit-

worthiness.

Smith Barney cites the case of Lear Slegler, a Californian conglomerate which agreed to be taken over for \$1.7bn by the fast-expanding Wickes group. Traders believe Lear's credit quality to be in jeopardy but no one knows what status the bonds would have after a take. bonds would have after a takeover by Wickes, so the bonds do not trade. Smith Barney believes that the emerging division in the bond market will inevitably raise the cost of debt for industrial users if it

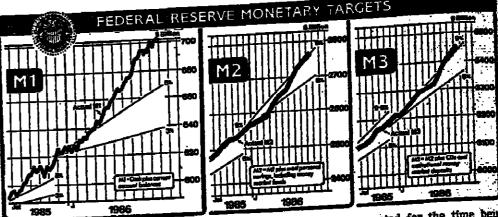
Among the few

Smith Barney notes that this last week, Niagara Mohawk factor largely accounts for the Power offered \$100m of 10 per relative popularity of utility cent, 30-year first mortgage bonds. The takeover of a major bonds through a syndicate utility is possible, though much headed by Salomon Brothers more difficult than an induscent, 30-year first mortgage markets. The bonds, which are rated BAA1 by Moody's and Triple B by Standard & Poor's, yielded about 216 basic points above comparable Treasury issues.

issues. Hershey Foods raised \$100m through an offering of \$50m of three year notes with a 7 per cent coupon that was priced to yield 7.027 per cent, or 50 basis comparable points Treasury issues, and a \$50m tranche of 30-year debentures priced to yield 9.219 per cent, or 140 basis points above com-

parable US Treasury issues.
This week, the main economic news will be the announcement, on Wednesday morning, of the revised gross national product (GNP) figures for the third the October

US DOLLAR



housing start figures the next day. The financial markets expect that the GNP figure could be revised slightly upwards from the indicated 2.4 per cent and are looking for a rebound in housing starts after the steep September decline.

On the international front traders in the US credit, markets will continue to markets will continue to monitor efforts by the Organisation of Petroleum Exporting Countries (Opec) to raise oil prices by \$3 to \$18 a barrel and any impact this might have on the health of the US dollar.

Last week, the US dollar lost ground against most major currencies and now seems ready to test the DM 2 level in its downwards descent. Following the recent US-Japanese agreement to limit exchange rate instability, the credit markets see the dollar/DM rate as the main battle ground for the US currency and are waiting to see whether the West German central bank will intervene again to come the unwards rise again to stem the upwards rise

While hopes of an early cut n the discount rate have

evaporated for the time being. there is still a consensus in the US credit markets which bethat the

with a number of near term concerns, the most likely intermediate to longer-term forecast still calls for appreciably

## Yields pushed through resistance levels

IT ONLY took a couple of shaky days for sterling on the foreign exchanges to send the UK Government bond market deeper into gloom last week. In the absence of any easy re-liance on signals from the monetary aggregates, the exchange rate is currently the key determinant of behaviour

the gilts market. Long yields had already fallen substantially in the wake of the Chancellor's Autumn as the market started discounting the likely penalties of what it clearly regarded as a high-risk strategy for inflation and the current

Sterling's declines last week then pushed yields through the key resistance levels which had held since the last serious sterling crisis in February. The December long gilt futures contract slumped to an all-time low, albeit temporarily, in a parti-cularly panicked Thursday ses-

In the short-dated market, indicative of the there had been some cautious state of the market.

optimism before sterling's de-clines, mostly because of suc-cessive opinion polls showing the Tories in the lead. Sterling's renewed vulnerability started nerves jangling again and yields shifted up to discount another base rate rise, although this seemed rather premature when the pound put in a steadier performance on Friday. All this leaves the gilts market in a very nervous state which is reflected in the upward revisions of some broker-age forecasts for end-year long gilt yields to around current levels of 10.8 per cent from the lower end of the recent range of around 10.25 per cent. It seems no one is expecting much

improvement for the rest of The failure to react positively to last week's news of a fall in the official unemployment total, a further rise in manufacturing output, however modest, and the containment of retail price inflation was indicative of the depressed

short positions in the futures market after the sharp fall on Thursday and some reports of patchy retail demand in the cash market at these depressed price levels. Yet the consensus in the market is that domestic institutions remain reluctant to commit themselves to fresh while oversess buyers, who had been expected buy stock on sterling's steadier performance have again withdrawn.

Official figures continue to show substantial outflows of British funds abroad, and the institutions are continuing to opt for lower yields in the US and West German bond markets because the currency risks are perceived to be limited.

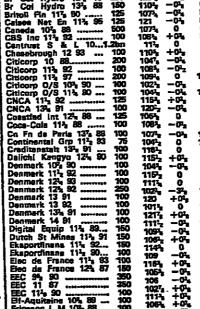
Also hanging over the UK giltedged market are concerns about the liquidity of pension funds which have to meet the Government's requirements for limiting their surpluses. Several large funds could be moving towards decisions on contribu-

down the liquidity available for investing in gilts. On bright spot emidst the gloom is the state of Govern-ment funding, which seems well on track. Next week's Public Sector Borrowing Require-ment for October is not expected to throw up any nasty

After initial scepticism about the Chancellor's assurance that this year's PSBR would not overrun its target, a view appears to be emerging that non-oil tex revenues may well be high enough to pay for the extra spending this year, as well as to fund some tax cuts

October's money supply figures are forecast to show only a modest rise in Sterling M3, shough they are unlikely to provoke a dramatic improve ment in mood, not least because interpretation will be made harder by the changes to calendar month reporting.

Janet Bush



Reserve's monetary policy will be to ease rather than tighten. Mr Philip Braverman Irving Securities says that, although the market is struggling

lower interest rates."

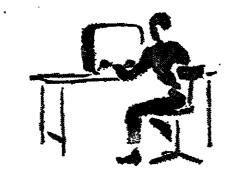
William Hall

#### FT/AIBD INTERNATIONAL BOND SERVICE

in the D-Mark.

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Wirtz & Co.

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Swiss Cantonalbanks Swiss Deposit and Creditbank

Bank Cantrade Ltd.

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Bankers Trust AG

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Elders IXI

## Renault to transfer Mack stake to loss-making RVI subsidiary

RENAULT; the French state-owned motor group, is expected to transfer the 42 per cent stake it owns in Mack Trucks, the US heavy duty locry manufacturer, to Renault Véhicules Industriels, its large loss-making truck subsidiary, before the end of this year as part of a FFr 3bm (\$457m) refinancing operation.

RVI urgently needs to restructure its balance sheet to avoid being forced to file for bankrupicy at the end of this year. The truck company, which lost FFr 1.5bn last year and FFr 3bn the year before, exts to reduce its losses to about FFr 1bn this year. Despite this reduction in losses reflecting strenuous restructuring efforts, RVI requires support from its parent to restore a balance sheet burdened

Madrid sees

second market

BY DAVID WHITE IN MADRID

A "SECOND MARKET" aimed at

attracting growth companies on to the stock exchange opens in Madrid

today - but with only one company

Officials of the Madrid exchange

said that they had considered wait-

ing until more companies were

ready to come to the market, in or-der to launch the product "with more of a fantare", but had decided

About 30 other companies were

considering coming on to the new market - which is closely modelled

on the Paris Bourse's second

marché - in the next few months,

The first company to be listed

will be Mercapital, a financial ser-

vices venture set up a year ago with 58 partners. Its Pta 500m (\$4m) eq-uity capital is 20 times the Pta 25m

In order to be eligible, compan must place at least 20 per cent of their shares on the market. Rules

on financial information are slight-

ly more relaxed than on the main ck exchange, with figures having

to be presented every six months

to go ahead as scheduled.

they said.

due to be quoted at the outset.

opening of

The transfer of the Mack stake onstitute RVTs capital stock. Renault is also expected to provide at so far confirmed his group's comleast FFr 1bn or possibly more eith- mitment to RVI

The transfer of the Mack shares RVI appears to reflect both Re-nault's ongoing commitment to the truck business as well as its deci-

Since Mr Georges Besse became chairman of Renault nearly two

menta, the Swedish antibiotics and

animal health group, was plunged

into fresh uncertainty last night when Procordia, the Swedish state

holding company, pulled out of the planned deal which would have es-

ablished it as the dominant share-

On the eve of today's Fermenta

Mr Refaat El-Sayed, the controver-sial main shareholder and group chief executive of Ferments, had

failed to provide the necessary legal

Procordia had emerged as a new

holder in the troubled group.

by heavy debts and accumulated years ago to restore the troubled reconstitute the capital of RVI, Relationses. will contribute about \$250m to rec-might consider hiving off the truck

er by injecting fresh funds or by retiring debt. Capital stock will be further increased by the revaluation of
some of RVI's assets.

RVI hopes to return to the black
in 1988 after its latest restructuring
programme involving about 2,700
new response of RVI's assets. down to 19,000 by the end of next and the capital reconstruction of year. The strategy of the truck RVI appears to reflect both Regroup, led by Mr Philippe Gras, its chairman, is designed first to restore the company back to good sion to give RVI even greater auto- health and then seek to negotiate nomy to conduct its recovery strate-from a stronger position collabora-tions and alliances with other truck

Mr Enstam said last night that

Mr El-Sayed had failed to provide the necessary legal document guar-

anteeing that Procordia would have

access to these additional 3m shares if it should decide to exer-

The sudden withdrawal of Pro-

cordia leaves Mr El-Sayed facing a tricky personal debt problem. He has debt repayments of some SKr

facturers.

Procordia pullout raises

new doubts for Fermenta

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE FUTURE ownership of Fer- the votes within the next 12

car group to profitability, there has nault itself is seeking to restore its been at times speculation that he own balance sheet, which is weighed down by debts totalling ss. However, Mr Besse has FFr 60bn. The group is now fore-confirmed his group's com-casting a loss of about FFr 5bn this year after a loss of FFr 10.9hn last

> Boosted by the introduction of new models, the Renault group has est French new car registration figures show Renault sales up by 24 per cent last month over October 1985 and the group's penetration totalling 34.4 per cent. For the first 10 months of this year, Renault's sales in France increased 12.5 per cent and its market share has totalled 30.7 per cent for this period.

#### Settsu agrees to buy 21.5% of Caraustar

By fan Rodger in Tokyo

SETTSU CORPORATION, Japan's leading paperboard maker, has agreed to acquire a 21.5 per cent stake in Caraustar Industries, the US paper maker, for approximately Y5tm (\$31.2m).

Settsu said its move, which would make it the largest shareholder in On the eve of today's Fermenta extraordinary share meeting at which Mr Soren Gyll, Procordia managing director, and Mr Olle Enstam, deputy managing director, and Mr Olle Enstam, deputy managing director, were due to be elected to the Fermenta board, the state-owned company suddenly announced that it was pulling out of the deal because the Refaat El-Sayed, the controvermental to meet this obligation, the company had decided to pull out. Caraustar, was aimed at estab-

Japanese market will become more difficult, partly because of sluggish paperboard demand but also beuse the rise of the yen against the dollar is expected to cause an increase in imports from the US.

#### Ferruzzi buys further stake

recognize that emerged as a new mas deet repayments of some SKr industrial partner for Ferments 550m, to make next month, and the when the planned takeover of the payment from Procordia would company by Montedison, the Ital-have provided crucial financial sup-inn chamicals group, collapsed amid port. MR RAOUL GARDINI, chairman of Italy's Ferruzzi agro-industrial Im A shares from Mr El-Sayed for nearly 12 months, and last Friday it group, amounced that his group some Skr 200m (\$28,6m) and had emerged that the director of the now controls 25 per cent of the equitaken options on a further 3m A Stockholm Stock Exchange had rety of Montedison, the Milan-based ty of Montedison, the Milan-based

## Zurich places covered warrants

By John Wicks in Zurici

THE CITY of Zurich today introduces a new type of private placement, in which a public-authority horrowing is linked to warrants on the equity of a listed

A series of 10-year warrant bonds with a coupon of 2.25 per cent and a maximum issue value of SFr 190m (\$60m) is being placed for the city by a consortium led by Zurich Cantonal Bank and also comprising BZ Bank Zuerich and Bank Leu. Every SFr 5,000 of the pi

ment, whose titles will be traded pre-bourse in Zurich, will be equipped with two three-year warrants issued by BZ Bank Zuerich. Each warrant will entithe the hearer to purchase one registered share of the Basle chemical company Ciba-Geigy between November 26 1986 and November 30 1989 at a unit price of SFr 1,950 "or a price adjusted in accordance with the warrant

At the end of last week, Ciba-Geigy's SFr 100 registered shares had been trading at just over SFr

1,750 each
Karlier this month, BZ Bank
Zuerich had pioneered covered
warrant issues in Switzerland by
placing 100,000 warrants, also
against Ciba-Geigy registered
shares at a price of SFr 1,850.
This offering had been "many
times over-subscribed" and
started warrant inspections

These are particularly interesting to foreign investors in that registered shares of Swiss combought directly by foreigners. • Bank in Liechtenstein of Vaduz announced that its recent private placement of 190,000 participation certificates has been "extremely successful." The of-fer, which was limited to "in-

boose clients of the bank and its

subsidiaries," had to be rationed

after it had been subscribed

reveral times over. Trading of the Liechtenstein Bank's BPCs is expected to start over the counter in Zurich, Gen-

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hitter recriminations last month. Mr El-Sayed and Fermenta have

Procordia had agreed to purchase been surrounded by turbulance for

shares which could have given it a cently tried to have the company stake totalling some 43 per cent of expelled from the bourse

## The Kingdom of Denmark

U.S. \$1,000,000,000

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Morgan Guaranty Ltd

BANK OF TOKYO INTERNATIONAL LIMITED CHEMICAL BANK INTERNATIONAL GROUP

BANKERS TRUST INTERNATIONAL LIMITED MITSUBISHI TRUST INTERNATIONAL LIMITED

DAI-ICHI KANGYO INTERNATIONAL LIMITED

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LTCB INTERNATIONAL LIMITED

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28th August, 1986

All of these securities have been sold. This announcement appears as a matter of record only.

This announcement appears as a matter of record only.

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Goldman Sachs International Corp

Nomura International Limited

Orion Royal Bank Limited

Société Générale

The Royal Trust Company of Canada

bank to better use. Industry experts expect that in the next few days, Mr Philip Beck, Mowlem's chairman, will unveil a £60m hostile take-over

tion and contracting company,

is believed to be on the verge of a major take-over bid which

would enable it to put its land

Also expected is a profit fore- asset.

C. E. Heath urges

bid rejection

Leisure Invests. £5.25m rights

ported pre-tax profits of £13.1m.

C. E. Heath, the insurance broking group, yesterday urged shareholders to reject a hostile takeover bid from rival broker PWS Heidings, which it believed would result in large scale staff defections," and support instead its proposed merger with Fielding Insurance. Leisure Investments, USM operator of amusement centres and snooker clubs, is raising up to £5.25m net through an underto 20.20m net turouga an unuer-written rights issue of 7 per cent convertible redeemable preference abares on the basis of one for every four ordinary.

Proceeds will be used towards Shareholders will vote on Friday whether to support the deal with Fielding. Mr Derek Newton, chairman of Heath, repayment of the £2.9m borrowed to buy the premises in Oxford Street, W (total cost £2.5m) and four freehold and two leasehold properties in Brighton (£1m). said in a letter to investors that said in a letter to investors that Fielding had experienced executive management in depth, while the PWS team had been working together for only a few months and lacked significant experience in handling areas of activity, which last year produced over 40 per cent of Heath's aggregate brokerage.

The company will be applying to the Stock Exchange for a full listing of both classes of capital.

The year had started well and the directors were working on a number of "exciting new opportunities."



Kingdom of Denmark

US\$ 250,000,000 Floating Rate Notes due May 1995

In accordance with the description of the Notes, notice is hereby given that for the interest period November 17, 1986 to May 18, 1987 the Notes will carry an interest rate of 10% per annum.

May 18, 1987 against coupon n<sup>4</sup>4 will be US\$505.56 for each US\$10,000.00.



The Agent Bank KREDIETBANK S.A. LUXEMBOURGEOISE

U.S.\$300,000,000-SERIES 31 ISESO<del>RES DE FINANZAS, S.A. DE</del> C.V.

(Organised under the laws of the United Mexican States) Short Term Notes Issued in Series Under a 1J.5.\$300,000,000

Note Purchase Facility Agreement

Granteed by Citibank, N.A. Notice is hereby given that the above Series of Notes issued under a Note Purchase Facility Agreement dated August 12, 1982, will carry an Interest Rate of 6% per annum. The Maturity Date of the above Series of Notes will be 16 May, 1987.

November 17, 1986, London By: Citibank, N.A. (CSSI Dept.), Agent Bank

#### Drexel Burnham Lambert **Equities Limited**

Members of The Stock Exchange, London

Contact:

**Brian Palmer** 

Philip Thomas 01.638.6391 • 01.920.9986

**Drexel Burnham Lambert** 

Winchester House, 77 London Wall, London EC2N IBE

## forecasts £8.8m profit at year-end

By Richard Tomkins

Mowlem's conservatively valued land bank is believed to have expanded considerably after the £180m acquisition of SGB, the scaffolding group, last spring. The planned transaction is believed to be aimed at capitalising on this underrated asset. Grest, the fruit and vegetable supplier best known as a banana importer to the UK, to-day publishes the prospectus for an offer for sale which will transform it from one of Britain's largest private. Britain's largest private com-panies into a publicly quoted group with a market capitalisa-tion of nearly £82m.

There are three divisions to the group. The largest is fresh produce, but there is also a rapidly growing food prepara-tion division which supplies chilled convenience foods to supermarket chains and a horticultural division which sup-plies bulbs, plants and nursery stock to the gardening market

Pre-tax profits of £8.8m are forecast for the year to December 1986, compared with £6.6m last year, so with 25.6m shares—40 per cent of the equity—on sale at 125p a share, the prospective price/earnings multiple is 12.75.

Hambros Bank is sponsoring the flotation and Cazenove is the raised, £23m will go to existing shareholders (mostly the Geest family) and £7.9m after ex-

comment

Geest and Brake Brothers may not be strictly comparable, but both are family businesses which have grown big on filling the nation's stomach, so it is not irrelevant to note that Brake ended its first-day dealings last Wednesday at a 22 per cent premium to its offer price. Geest's n/e of 12.75 compares Geest's p/e of 12.75 compares with 13.4 for Brake and few last week regarded Geest's multiple as in any way demanding: more, indeed, thought it cheap enough to suggest that Caze-nove, after more than one nove, after more than one embarrassing hiccup with new issues this year, had insisted on a price which would ensure success. It is hard to see how the issue will prove otherwise. Geest may not be the most exciting food distributor on earth and its horticultural division has an uninspiring record, sion has an uninspiring record, but it has invested heavily in meeting the rising demands of multiples for fresh produce and there is ample scope for growth in its food preparation division, especially if acquisitions can be achieved. Market conditions permitting, then, the buying

#### **BOARD MEETINGS**

increased from 5.99315p to asset value was 98.65p after con-6.32315p net for a total of version of loan stock and exer-7.1499p (6.82p) for year to cise of warrants; by September March 31 1986. Turnover £3.83m 30 it was 89.41p and by end (£3.38m) and pre-tax profes Voist.

Finals: Australia and New Zaeland
Banking, Concentric, Diploma, MMT
Computing, SAC international, St.
Ives, Share Drug Stores, TMD AdverIsing.

(25.38m) and pre-tax profits
(2218,380), including
income from investments
(261,279 (£187,630). Tax took
£68,266 (£32,735). Stated earn-

#### BARCLAYS OVERSEAS INVESTMENT COMPANY B.V.

₹40,000,000,000

6 per cent. Guaranteed Bonds due 1996 Guaranteed on a subordinated basis by BARCLAYS BANK PLC

In accordance with the Trust Deed dated 27th Angust, 1986 (the "Trust Deed") made between Barclays Overseas Investment Company B.V. (the "Company") and Alliance Assurance Company Limited, constituting the Bonds, the Company hereby gives notice that 2nd January, 1987 has been determined as the Exchange Date as defined in Clause 4/B) of the Trust Deed. defined in Clause 4(B) of the Trust Deed.

defined in Clause 4(B) of the Trust Deed.

Persons entitled to delivery of any of the Bonds are accordingly advised to obtain from the specified office of any of the Paying Agents, the office of CEDEL S.A. in Lunembourg or the office of Morgan Guaranty Trust Company of New York as operator of the Emo-clear System ("Euro-clear") in Brussels, the form of the certificate to be completed, stating that such Bonds are beneficially owned by persons who are not (i) U.S. persons (as defined in the Trust Deed) or (ii) persons who have purchased them for reoffer or resale to any U.S. person. Completed certificates should be delivered to the office of CEDEL S.A. in Lunembourg or to the office of Euro-clear in Brussels prior to, on or after the Enchange Date. Definitive Bonds with Coupons will be available on or after the Enchange Date in exchange for relevant certificates.

BARCLAYS OVERSEAS INVESTMENT COMPANY B.V. 17th November, 1986

To the Holders of FORD MOTOR CREDIT COMPANY



Christiania Bank og Kreditkasse (Incorporated in the Kingdom of Norway with limited liability) US\$100,000,000

Floating Rate Subordinated Notes Due May 1995 (of which U.S.\$75,000,000 has been issued as Initial Tranches)

Notice is hereby given that the Rate of Interest has been fixed at 10½% and that the interest payable on the relevant Interest Payment Date May 18, 1987 against Coupon No. 4 in respect of US\$10,000 nominal of the Notes will be US\$530.83 and in respect of US\$250,000 nominal Notes will be US\$13,270.83.

November 17, 1986, London By: Chibank, N.A. (CSSI Dept.), Agent Bank

CITIBANCO



£50,000,000 Floating Rate Notes 1993

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three months period 14th November, 1986 to 16th Rebruary, 1987 has been fixed at 11% per cens. per ansum. Coupon No. 13 will therefore be payable at £744.43 per coupon from 16th February, 1987.

S.G. Warburg & Co. Ltd. Agent Bank

US\$1,584.0B, payable May 18, 1987. THE CHASE MANHATTAN BANK National Association), 0 as Fiscal Agent Dated: November 17, 1966

#### FINANCIAL TIMES STOCK INDICES 1986 High Low 82.58 94.51 80.39 127.4 49.18 81.70 82.15 82.58 88.46 88.85 88.93 89.04 89.02 97.68 86.55 150.4 50.53 1293.2 1293.7 1305.1 1911.7 1313.3 1317.2 1425.9 1094.3 1425.9 49.4 325.1 328.5 316.6 309.1 304.2 300.1 357.8 185.7 734.7 43.5 816.06 815.85 820.86 822.52 830.36 822.25 832.39 664.42 832.39 61.92 FT-SE 100 \_\_\_\_\_ 1644.3 1644.6 1654.5 1660.9 1656.2 1662.6 1717.6 1370.1 1717.6 986.9

I.G. INDEX

Pursuent to the Fiscal Agency Agreement Dated as of November 1, 1984 (the "Agree-nant") between Ford Motor Credit Company and The Chase Marriettan Bank (Notional

Association), as Fiscal Agent, notice is hereby given that the Rate of Interest applic-

able to the above Notes for the Interest Period November 17, 1986 to May 18, 1987, as

etarmined in accordance with the provi-

sions of the Agreement, is 676% per armuo, The amount of interest payable in respect of

FT for November 1,283-1,289 (-5) Tel: 01-828 5699

Martin Dickson on the new chief executive at one of Britain's most acquisitive groups

## The heir to the BTR empire

TWO OF the City's favourite fancy goods salesman, he joined guessing games over the past the then very modest British year have centred on BTR, the Tyre & Rubber Company in year have centred on BTR, the Tyre dindustrial holding company 1955 as which, under the leadership of tative.

Sir Owen Green, has been built up over the past 20 years into one of Britain's biggest and A succession of management posts followed, including a spell setting up a small Cana-dian operation, which gave him most acquisitive groups.
What takeover victim will
BTR pounce on next? And who Then, in 1967, Owen Green took over as chief executive of the then ailing BTR, and Mr will become chief executive in place of 61-year-old Sir Owen, Cahiil was one of three senior managers, all in their thirties, whom he chose to help him turn the business ground and give it. who made clear months ago that he was planning to hand over the job to a successor? The answer to the first question remains a tantalising un-known. The latest of many a new strategic direction. All but one of them are still there.

favourites thrown up by the City rumour mill is Pilkington Brothers, the glass manufacturer, but, whatever the target, the indications are that BTR is readying itself for a swoon. The result is one of the most remarkable growth stories in British industry over the past two decades. BTR has become target, the indications are that a business with a £5hm market ETR is readying itself for a swoop.

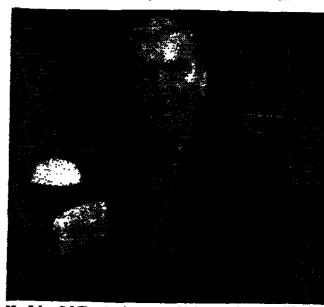
The answer to the way bid targets such as second became clear last week when the company announced that Mr John Cahill, currently head of its operations in North and South America, is to become chief executive on January 1, while Sir Owen will £475m for 1986.

Each member of the Green team was given responsibility strategic direction."

team was given responsibility for a particular field of acquisitions and Mr Cahill homed in on the US, where the group had virtually no interests. In 1976, it made its first

with a relaxed and open manner. He also has a worthy maxim—eg "We are a sell (ideas) company, not a tell company"—which perhaps referts both his Avaniers American acquisition—£15.5m for SW Industries, a manufacturer of paper industry equipment bought in large measure for its excellent management. company "—which perhaps reflects both his American experience and BTR's passion for the communication of simple ideas down the line.

The son of a City businessman, he spent the early years of his career as a London stockproker before switching to industry. After a brief spell as a ment bought in large measure for its excellent management. Mr Cahill went to the US to the new operation. He has been there ever since, building up the Western hemisphere in a division which last year accounted for £137m of pre-tax profits, 37 per cent of BTR's total.



Mr John Cahill, who becomes chief executive of BTR frem

There have been several acquisitions along the way— Worcester Controls, a valve manufacturer, and Huyck, another paper industry equipment supplier—while the acquisition of the UK's Thomas Tilling brought in \$800m of US sales, mostly in the distribution of electrical, medical and building supplies.

The manner in which these

businesses were identified and integrated provides a good example of the wider management techniques behind BTR's growth.

First, says Mr Cahill BTR is a very conservative, safety first company which carefully identi-fies and complies dossiers on potential bid targets long before

it pounces, "SW had lusted after Huyck for a decade before it hit a flat patch and the opportunity came." Second, the strategy laid down

by Sir Owen back in the 1960s is to expand by contiguity— taking over businesses in related areas to the ones BTR is already in, and which it understands.
Third, there is a major dele-

Third, there is a major delegation of authority to managers down the line. "In every company we've bought." he says, "we've found excellent middle management. You won't find BTR people in there." Mr Cahill himself is virtually the only Briton in the US operation and he is handing his job over to an he is handing his job over to an American, Mr Edgar Sharp.
This delegation is coupled

with very strong financial disciplines and ratio monitoring from the centre and great emphasis on communication: "Success," says Mr Cahill, "stems from setting out in clear and simple terms what your sims are."

He does not expect his arrival back in BTR's ostentatiously austere London headquarters to signal any change of the group's

Sir Owen while moving his office to a building across the road, will "continue to give leadership at the strategy level, and very much in the acquisitions field. As the years have gone by he has left more of the running of the business to subordinates, so you won't see that big a change."

And while another of the

And while another of the original four-man strategy team is leaving next year—finance director Mr Norman Ireland he will be replaced by Mr Barry Romeril, a 42-year-old who joined BTR last year from ICI and has spent time working with Mr Cahill in the US.

As for acquisitions, he acknowledges that BTR's balance sheet—which was only 18 per cent geared at the close of last year and must now be much lower—has "too much cash in it."

But, in a message to the City investors who have been getting impatient at the lack of bid activity, he says: "We're not buying companies to strip them, but to grow them." And that means BTR has not wanted to move on until it has made sure it has sorted out Dunlop, its last big buy.

That task, however, is now complete—" a super acquisition," says Mr Cahili—so it seems unlikely to be long before BTR pounces on a fresh victim.

#### **COMPANY NEWS IN BRIEF**

sidering an acquisition in the (18.6p).

US for its aerospace division scores because the could east in the could east i dend 3.3p (same). Turnover for 1985 was £6.74m (£4.03m) and pre-tax profit £350,000 (£187,000). Net profit £194,000 (£173,000) after tax of £156,000 (£14,000). Stated net earnings per 1919 where were 38.41m per 121p share were 28A1p (34.39p). a rough figure on a deal. PLANTATION TRUST-Total NEW COURT TRUST: Final

dividend 11p (10.125p) making 15.7p (14.25p). Net asset value per share 595p (491p). HAMBROS INVESTMENT

strategic direction."
So who is Mr Cahill and how

much will he change BTR?
Aged 56, he is a tall, slim man

Trust: Interim dividend 1.2p (same). Net asset value per share 260.5p (259.1p). CLYDE BLOWERS (manufacturar of steam and soot-blowing equipment): Final dividend

er 95.5p, HOWARD AND WYNDHAM London & Gartmore Warrants (publisher and retail jeweller). (Investment Trusts)

year 1985 profit was £65,000 before tax £147,000. LONDON ENTERTAINMENTS (theatre production and management): Dividend 2.5p (2.83p) and stated earnings per

20p share 6.2p (3.54p) year ended August 31 1986. Pretax profits £289,291 (£186,276); tax provision £61,717 (£56,450). vestment Trust: Earnings for six months ended September came to 0.35p (0.86p) and interim dividend held at 0.75p earnings for half year ended September 30 1988 came to £182,000 (£245,000). After interest paid £131,000 (£137,000) in second half and intended to at least hold final at 1.75p.

Profit for period £115,000
(£152,00) subject to tax £80,000
(£66,000). Net asset value
178.1p (138.9p) per share. and tax £15,000 (£39,000), net revenue £35,000 (£89,000) for earnings of 0.51p (0.99p) per share. In 1985 period company had substantial income from

gilts awaiting investment in equities. At March 31 1988 net FT Share Information The following securities have been added to the information Service. Great Southern Group (Section: Industrials)

(publisher and retail jeweller).
Attributable loss for half year ended June 30 1986 was ended June 30 1986 was ended June 30 1986 was eredit £48,000 (charge £11,000). Util Trust & Credit Warrants (Industrials)
Loss per share 0.9p (same). For

Global Market Makers

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•

U.S. Government Securities
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ncial Futures • Fixed Income Options

#### PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus\*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Date	ment last year	Date	ment lest year
ANZNov 17	Final 16 cts	*Johnson	your
Assoc Paper		MattheyDec 4	interim 0.5
IndeDec 11	Final 4.0	*Kwik SaveNov 26	Finel 3.4
AvanaNov 19	Interim 5.0	*London IntlNov 18	Interim 1.5
ETNov 20	Interim 4.0	London Merchant	
30CDec 4	Final 5.53	SacuritiesDec 19	Interim 0.75
Dec 11	Interim 3.0	*MEPC	Final 8.0
3PB Inds Nov 27		Motal BoxNov 18	Interim 6.1
#35Dec 4		*Meyer inti Dec 9	Intrim 1.95
######		NorcrosDec 10	Interim 2,8
eechamNov 20	Interim 6.1	*Northern	
001sNov 20		FoodsDec 9	interim 4.25
BurtonNov 20	Final 6.3	*Pilkington	
lable and	Interim 3.5	BrosDec 11	Interior 5.0
WirlessNov 20 tharter ConsDec 11	Interior 3,75	Polfy PackDec 2	Final 3.75
hlorideNov 20	Interim due	*Poweli	
hrysalisDec 5	Final 3.95	DuffrynNov 25	Interim 4.5
CourtauldsNov 28		*RHMNov 19	Final 3,45
Dawson IntiNov 27	Interim 1.7	RHPDec 12	Final 2.8
See CorpDen B	Interior 2.8	*RothmensNov 21 Rothschild (J) Dec 17	Interim due Interim 2.2
obson ParkDec 9	Final 3.31	Royal Bank	Institut 44
MAP	Interim 1.2	Scotland Nov 28	Final 6.0
Hiott (B.) Nov 18	Interim 1.0	Saatchi and	Times G.O
nglish Chins		SeatchiDec 4	Finel 8.71
ClaysDsc 12	Final 7.0	SlebeDec 18	Interim 4.08
xtel Nov 21	Interim 2.0	#600 GrospDac 4	Interim 2.34
anner (J. H.) Nov 25	Final 3.0	Smith and	P.10011124
errandNov 28	interim 0.55	NephewDec 5	Interim 1.4
ECDec 3	interim 1.4	SketchleyNov 19	Final 3.0
ranadaDecii	Final 4.57	StakleDec 11	Final 0.8
rand		Tate and LyleDec 11	Final 14,5
Metropolitan,Dec 18	Final 6.0	Trafalgar	
renali		HouseDec 2	Final 6.1
WhitleyDec 8	Finel 2.853	*UnigateNov 24	Interim 3.45
USPec 12	Intrim 7.0	eVauxDec 9	Final 7.321
reycoatDec 12	Joterim 0.95	WheesoeDec 12	Final 3.0
ati (ML)Nov 27	Interim 1.5	*WhitbreadNov 19	Interim 2,25
anson TrustDec 5	Final 2.85	Wolverhampton &	1-1-d- 2 4
azlewood		Dudley Brew Dec 9	
FoodsNov 20	loterim 4.0	Board meeting intime issue since made. ‡ Tax	THOUSE COM
eath (C. E.)Nov 18	loterim 7.0	isaus since made. 4 For	
20m (r. r.)Wo. 19	Marina 170	shana anira Mada: J. LO.	acatr.

This advertigament is in compiliance with the requirements of The Stock Exchange, it does not compiliant as invitation to any person to subscribe for as purchase any securities in Blacks along Ground site. BLACKS LEISURE GROUP PLC

Issue of 33,333,333 Ordinary Shares of 2½p each and Rights Issue of 106,769,711 Ordinary Shares of 2½p each in each case at 3p per share

The Council of The Stock Exchange has admitted to the Official List the above-mentioned Ordinary Shares

Copies of the listing particulars relating to the Company are available in the Extel Statistical Services. Copies of the listing perticulars may also be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 5th December, 1986 from:

Charterhouse Bank Limited 1 Paternoster Row St. Pauls London EC4M 7DH

The Administrative Centre Galley, Stafford Staffordshire ST19 5PP

Hichens, Harrison & Co., 11 Biomfield Street, London EC2M 1LB Paul E. Schweder, Miller & Co., 46 Sun Street, London EC2M 2PX Copies of the Listing Particulars are also available from the Company Announcements Office up to and including 19th November, 1988 



## **GUINNESS PLC**

With effect from 17th November, 1986 Mr. Ian Brockie has been appointed Registrar to the Company and from that date the Company's Share Registration Department will be at-

11/13 Walker Street, Edinburgh EH3 7NE Telephone: 031-225 3843

**Wells Fargo** & Company U.S. \$200,000,000

Floating Rate Subordinated Notes

dae 2000 In accordance with the

provisions of the Notes, notice is hereby given that for the interest period 17th November, 1986 to 17th December, 1986 the Notes will carry an Interest Rate of 6/4% per annum. Interest payable on the relevant interest payment date
17th December, 1986 will smoon to US\$52.08 per US\$10,000 Note and US\$260.42 per US\$50,000

> Agent Bank: Morgan Guaranty Trust Company of New York London

#### **Matthew Hall** wins £22m

A. Marik & Company, p.L.c., 20. Box 43, exingtion, Cheshire WA1 4(B., Tel: 0925-812000

company, has been awarded con-tracts in a variety of develop-ment and refurbishment pro-jects, totalling around £22m.

office development for Norwich Union and the redevelopment of the London Pavilion, Piccadilly Circus, WI, for Grosvenor Square Properties and Kennedy Brooks Joint Venture.

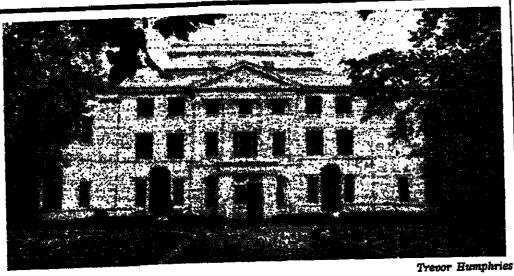
Industrial sector contracts amounting to £2.5m are for road

amounting to £2.5m are for road and tunnel lighting associated with the North Terminal, Gat-wick, and electrical, ventilation and fire engineering services for the Penmaenbach Tunnel, Con-

Services for local authority housing schemes in London and other parts of the country repre-sent £1.5m.

Several maintenance division contracts include the residential management, operation and maintenance of the air conditionmaintenance of the air conducting, heating, plumbing and other services at the South Bank Complex, SE1, comprising the Royal Festival Hall, Queen Elizabeth Hall, Purcell Room and the Hayward Gallery.

## **CONSTRUCTION CONTRACTS**



## Renovating Crewe House for Saudis

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT Tarmae Construction is in the final stage of negotiations for a £12m to £15m contract to renovate the new Sandi Arabian Embassy in London, the grade two listed 18th-century Crewe House in

Mayfair. Crewe House is the former Thomas Tilling headquarters which Sandi Arahia purchased from Tilling's new owners, BTR, for £37m in

As one of London's most famous houses—it was at a dinner party in Crewe House hosted by Lady Crewe that Sir Winston Churchill met his future wife—its fate is being carefully watched by local planners, residents' associa-tions and conservation

One reason for the delay in the work has been the embassy's desire to conform with the requirements of local

planners and listed buildings regulations in its new Once planning permission is awarded, the work will concentrate on restoring the

house, originally built by Edward Shepherd in 1708. not yet been awarded, al-though Tarmac Construction "The famous front of Crewe House with with its bow windows and lawns will be re-stored, the porters' lodges and stored, the porters' longes and horseshoe carriage drive will be reinstated, and the exist-ing boxy porch will be re-placed with a Doric colan-naded portico," said architect Mr John Knight, of Michael

Lisic and Partners.

"And we have a brief to reinstate the interior — which has been much despoiled over the years —to an appropriate plain English 18th century style with timber panelled rooms, a new staircase, and restored black and white The contract will also in-clude refurbishing the 1960s building at the rear to make modern offices, as well as residential accommodation for the Embassy. The Embassy is emphasis-ing that the final contract has

has a letter of intent to carry out the works. The final budget is also still being nego-Tarmac is currently working on a figure project, build-ing the Saudi Arabian school in London, the King Fahad

This has involved convert-ing the 1960s built former Faraday Comprehensive in raraday comprenensive in Ealing into separate upper and lower schols for boys and girls, and building a new kindergarten, mosque sports and assembly halls.

## Tunnel repairs under Dubai Creek

The BALFOUR BEATY GROUP that been awarded contracts worth filem. Heading the list is a contract valued at film awarded to Dutco Balfour Beatry in association with Balvac Whitley Moran and two Dutch Companies, Volcker Stevin and BIM, for repairs and refurtishment to the Al Shindagha tunnel bear and Bim of the Salvac Whitley Moran and two butch companies, Volcker Stevin and Bim for completion within 24 months. Balvac Whitley Moran and Bim will provide the specialist services relating to the repair works to the reinforced for a gupernarket a contract for a gupernarket and brown for a gupernarket and brown for a gupernarket a contract for a gupernarket a contract for a gupernarket a contract for channel, a pedestrian bridge, weeks.

Humberside County Council has placed a fil.55m contract for a garage and shown for a garage and shown will also be constructed. Other work include a partial reconsult of the materials of 5 km of firstible materials of 5 km of firstible materials of 5 km of firstible constructed. Other work includes a contract, worth firstible materials of 5 km of firstible constructed.

signed a contract with the East companies, Voicker Stevin and SIM, for repairs and refurbishment to the Al Shindagha tunnel plant at Kenley in Surrey. The ment to the Al Shindagha tunnel for a design, manage and construct basis. The works, which will provide the suffer of the plant full automatic. The plant full automatic. The plant full automatic. The plant full automatic for completion by summer 1983. Biwater Treatment is also constructing a water treatment plant for the East Surrey. Water Structure, which as a pedestrian subway and construct for a garage and construct for meant to the Al Shindagha tunnel fine ment to the Al Shindagha tunnel for completion within 24 is due for completion wit

Company Notices

European Investment Bank

U.S.\$300,000,000

Floating Rate Notes due 1996

In accordance with the Description of the Notes, notice is hereby given that for the interest period from November 7, 1986 to May 7, 1987 the Notes will carry an interest rate of 5.8375% per annum.

The amount of interest payable on the relevant interest payment date, May 7, 1987 against coupon no. 1 will be US\$293.50 per Note of US\$10,000 nominal and

US\$2,934.97 per Note of US\$100,000 nominal.

The Agent Benk

KREDIETBANK

S.A. LUXEMBOURGEOISE

## **DIARY DATES**

**Finance** 

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based are interims or last varietimeship. mainly on last year's timetable.

Druck Hidgs, Grand Hotel, Granby Street, Lelcester, 12.00 Gallistord, Post House, Crick, 12.15 HTV Grupp, Colverhouse Cross, Cardiff, 12.20 TODAY

COMPANY MEETINGS—
ert G.R.J. Painters Hall. Little Triolity
Lane. EG. 12.00
Lyning Hart Manual — 12.30 Hidos, Pelece Road, N. 12.00 Sincibir (William). Most House Hotel, Thorpe Wood, Peterbordoph, 2.30 Tottenham Hotspur, Tottenham Hotspur, Tottenham Hotspur, Tottenham Hotspur, Fleats: Lane, EC. 12.00 rod. White Hart Hotel, Salisbury, 12.15 BOARD MEETINGS— Finals: Finals: strains and New Zealand Banking

anterino: Irown (N.) Lors girafter Assert

Volett
Volett
Dividend & Interest Payments—
Archistric 0.25p
Do A N-Vtg 0.25p
Do A N-Vtg 0.25p
B.A.T. intni Fin 71spcGtdRds 1987 34pc
British Syphon Inds 1.57p
CCA Galleries 0.8p
Campari intl 0.5p
ronic

rand

Staff

Invited A INTEREST PAYMENTS—

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Do 4.2pc Max 2.1p
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> NOTICE OF PREPAYMENT US\$ 25,000 000 EUROFIMA European Company for the noing of Railway Rolling St 92% Dollar Bends due January 15, 1969 accordance with paragricular of the 
Standing of the substance of Bonds.
Payment of interest due on Jenuary 15, 1967 and reimburgament of principal will be made in accordance with the terms and conditions of the Bonds.
Interest will cases to accrue on Bonds as from January 15, 1987.
Luxembourg. November 14, 1986.
The Fiscal Agent KREDIETBANK
S.A. Luxembourgacise

AZIENDA AUTONOMA DELLE FERROVIE DELLO STATO \$100,000,000 Floating Rate Not

NOTICE IS HEREBY GIVEN that the Issuer has decided accordingly to the terms and conditions of the Notes to redeem all the outstanding Notes USS67.000,000 st 100% of their value per December 31, 1956. The Fiscal Agent BANQUE PARIBAS (LUXEMBOURG)

Personal

## **WEEKEND FT**

#### CHRISTMAS FOOD AND DRINK

publish a report on the above on SATURDAY NOVEMBER 29 1986

For details of advertising rates, please contact: JULIA CARRICK

Art Galleries

INSOLVENCY ACT 1985 SECTIONS 4 & 5 HORISATION OF INSOLVENCY

TAKE NOTE that a NEGEL WILLIAM JAMES MONTECHERY of 11 Well Court. London ECSM 90N inbend to apply to the Secretary of State under the provisions of the above act for authorisation to Sct 25 as insolvency Practitioner.

Any person taying reason to believe that such authorisation should not be granted should, within 28 days of publication of this

Any person neving reason to contest that such authorization should not be granted should, within 25 days of publication of this notice communicate such reason to the Department of Trade & Industry, Room 609, Companies House, 55 City Road, London EC1Y 188.

M.L. HOLDINGS p.l.c. DESENTURE STOCK 1988-1993

NOTICE (S HERESY GIVEN that the Transfer Books and Registers of Members will be CLOSED on 12th December 1986

only. By Order of the Sourd A. P. SMITH, Secretary

CONTINENTAL (Bermitch) LIMITED U.S.\$250,000,000

U.S.250.000,000
Floating Rate Notes the 2006
Guaranteed by
Hungarian Foreign Trade Bark Ltd.
odce is hereby gleen that for the
sterest Period 18 November, 1986
18 February, 1987, a period of
2 days, the Rate of interest will
3125 per cent. per admin. The
stream Amount period.
107, will be u.S.46.02.99 for each
107, will be u.S.46.02.99 for each
108 of U.S.328.000.

**PRACTITIONERS** 

ZAMANA GALLERY, 1 Cromwell Gardens, SW7. 01-384 6612 ISTANBUL—A Pacopyraphic Journey through Turkish Architecture. Until 18 Jan. Tues-Set. 10-5.30. SW1 2-5.30.

RICHAED GREEN, 44 Dover Street, W1. 01-493 3939, WATERCOLOURS BY ARCHIBALD THORBURN. Daily 10.6; Sats. 9.30-12.30. Opens November 12th.

WILLIAM DRUMMOND'S. 200 Water colours. Ciristones Show opens tomorro at Bernheimers, 52 St. George Street

## The Financial Times proposes to

on 01-489 6029

#### CLASSIFIED ADVERTISEMENT RATES

. eigins avallable f8.00 per single All prices exclude VAT For further details write to:

Classified Advertisement Manager Financial Times, 10 Cannon Street, London EC4P 4BY

## Trade fairs and exhibitions: UK

November 18-22 November 18-24
Communications in Business
Exhibition (to 21st); Engineering for Oil Exhibition; Scottish
(Design and Production) Engineering Exhibition; (031-225 5488)
Scottish Exhibition and

Conference Centre, Glasgow November 18-20 London Building and Construc-tion Show (0474 874089) Kensington Exhibition Centre

November 25-28 Pharmaceutical International Pharmaceutical Cosmetics, Tolletry and Alied Industries Exhibition—INTER-PHEX (01-891 5051) Met Exhibition Hall, Brighian

November 18-22. The Saudi-British Trade Fair (01-842 7688) International Brus Fair (021-705 6707) International Hotel and Catering Trade Fair—HOGATEC (01-483

November 25-27
Offshore Industries Exhibition and Conference (01-437 2175)
Amsterdam
November 27-December 2
International Agricultural Equipment Services and Technology Do (Reg Lm) 11P
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November 21
COMPANY METINGS—

Rejam Group, Setcher Hall 27 Betholomew Cose Et. 12.00
Daigery, Cantre Point, 103 New Oxford
Street, WC 11.30
Lyles 5.1. Walkefield Post House Hotel.
Queens Drive, Ossett 12.00
Standwick, 50 Upper Brook Street, W,
180.80 METINGS—

November 16-19 November 16-19
Western Australia Government:
Future of trade, finance and investment in the Pacific Basin—
PACRIM '86 (01-240 2881) Perth, W. Australia Nevember 17-18

November 17-18
Hawkedon Partnership: Tanker
'86 International Conference
Tomorrow's tankers today (0608
84252) Heathrow Penta November 19-20
Banking Law Institute: ADRs and other routes to US capital markets (01-937 7211)
London Tara Hotel

November 24-25 Management Horizons: 18th International Association for the Distribution of Food Products General Consumer Goods (AIDA) Symposium on purchas-ing and services—a new dimension (01-891 0245)

Hotel Sheraton, Munich November 25-27

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DIVIDEND & INTEREST PAYMENTS—

rindad & Tobago (Republic of) 124pci.s

#### **Parliament** TODAY

Debate on the Queen's foreign affairs and defence.
committees: Environment—
Property Services Agency.
Ser PSA officials (Room 20, 20).
Public Accounts—subject. Witnesses: PSA officials (note: 4.30 pm). Public Accounts—subject: efficiency of the nationalised industries. Witnesses: Sir Brien Heyes, DTI and Sir Godfray te Queens, Monopolies and Sir Godfray te Queens, Monopolies and 18, 4.45 Mergers Commission (Room 18, 4.45 pm). Treasury and Civil Service—subject Autumn statement. Winnesses: Treasury officials. (Room 8, 4.45 pm). TOMORROW Commons: Debate on the Queen's

Speech.
Lords: Queen's Speech debate —
home affairs and the environment.
Select committees: Education,
Science and the Arts—subject: student
awards. Witnesses: National Association of Teachers in Further and
Higher Education: Association of Metropolitan Authorities (Room 16, 10 am).
Forsign Affairs—subject: situation in
Cyprus. Witness: H. E. Rauf Denktash
(Room 16, 4.30 pm). Parliementary
Commission for Administration—
subject: reports of the Health Service
Commissioner, 1985-96. Witnesses: Mr
Anthony Serrowclough and Mr Gordon
Marsh (Room 5, 4.30 pm).
WEDNESDAY
Commons: Conclusion of Debats on
the Queen's Speech.
Lords: Debats on the Queen's
Speech — sconomic affairs and unemployment.
Select committees: Energy—subject:
electricity supply industry reports and
scounts. Witnesses: East Midlands Speech. Lords: Queen's Speech debate

employment.

Select committees: Energy—subject:
electricity supply industry reports and
accounts. Witnesses: East Midlands
Electricity Board; Yorkshirs Electricity
Board (Room 8 11 am).
Public Accounts—subject: Sponsorship
on non-departmental public bodies.
Witness: Mr T. Helser, Doc: Mr J.
Wheatey, Sports Council (Room 16,
4.15 pm). Social Services—subject:
primary health cars. Witnesses: Society
of Administrators of Femily Prectitioner
Services: British Dental Association
(Room 21, 4.15 pm).

THURSDAY
Commens: Debate on the report of
the committee on dBC financing.
chaired by Professor Alap Paccock.
Lords: Debate on the report of the
EC on nuclear power in Europe.

Select committees: Agriculture—
subject: the effects of perticides on
human health. Witnesses: Department
of the Environment: Anglian Water
Authority: Water Research Council
(Room 18, 10.45 am). Tressury and
Civil Service—subject: the Autumn
Statament. Witness: Mr Nigel Lewson.
Chancellor of the Exchequer (Room 8,
4.45 pm).

FRIDAY
Commens: Debate on AIDS.

FRIDAY
Commons: Debate on AIDS.

Queen Elizabeth B Conference Centre SW1 November 25-29 World Travel Market (01-661 Clympia

November 30-December 4 Royal Smithfield Show (01-233 Estis Court. December 2-4
International Trade and Services
Exhibition and Conference (6)-

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727 1929) Barbican Centre Mining Methods Exhibition (0928 Harregate

People and Technological Change
—Investing in Europe's Future
Exhibition (01-727 1929)

December 9-10
UK Tax Congress/Tax Fair
(04868 21231)
Wembley Conference Centre

Overseas

Exhibition (01-891 5061) Beijing November 29-December 7 Handicrafts in the Domestic Sphere Exhibition Heim & Handwerk (01-496 1951) Manich December 4-7 Antony and Winter Parking December 4-7
Autumn and Winter Restly-inWear Fashion Fain—PORTEK.
(01-493 0212)
December 4-7
ICAF/LA 86—International Contemporary Art Fair (01-486 1951)
Los Angeles

International Food, Pharms-cautical Processing and Package Exhibition (01-236 2399) December 10-16

Business and Management Conferences for Europe's future. (01.727 Queen Elizabeth II, Conference Centre, SWI

Nevember 26 Institute of Taxation conference on retirement and capital tax planning (01-235 8847) RAF Club, W1 Nevember 27-28 London Conferences: International conference on com-munity architecture, planning and design (01-733 2189). Astoria Theatre, London December 12 FT Conferences: World Tele-

munications (01-621-1365) Hotel Inter-Continental, WI Hotel Inter-Continental, WI
December 3-4
British Venture Capital Association/FT: Venture capital financial forum (01-621 1355)
Hotel Inter-Continental, WI
December 8 Beck office systems after Big Bang (01-236 4080). The City Conference

November 25-27

MSC/EEC: People and technology — investing in training and of the above events is advised to Anyone vishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

NOTICE OF EARLY REDEMPTION



Subordinated Floating Rate Nates Date 1991 NOTICE IS HEREBY GIVEN that is accordance with Chara 5(c) of the Terms and Conditions of the Notes in Bank will redeem all of the Notes at their principal amount on 19th Detember, 1986, when interest on the Notes. men principal solutions will be made upon presentation of the Notes with all Repayment of principal will be made upon presentation of the Notes with all ministured Coupons attached, at the Offices of any one of the Paying Agents ministured Coupons attached, at the Offices of any one of the Paying Agents

Bankers Trust Company Dashwood House 69 Old Broad Street London EC2P 2EE

Bankers Treat Company des Champs Elysees 75386 Paris Cedex 08

nkers Trust AG ) Rox A471 Dreikonigstrasset CH-8022 Zurich Kredietbank SA Lu 43 Bonievard Roya

(Formerly Benque di Rue Des Colonies 40 Bankers Trust Company
Corporate Trust and Agency Group
Four Albany Street
New York NY 10015

Banque Indos

akers Trust OmbH

Accrued interest due 19th December, 1986 will be paid in the normal manner against presentation of Coupon No. 10, on or after 19th December, 1986.

Bankers Treat Company, Londo 17th November 1986

Agent Bank

#### MORTGAGE BANK OF FINLAND LTD.

("the Company") (Incorporated under the laws of the Republic of Farland)

NOTICE

to the holders of the outstanding £15,000,000 11% per cent. Notes 1989 of the Company (the "Notes")

NOTICE IS HEREBY GIVEN to the holders of the Notes pursuant to Clause 14(xix) of the Trust Deed dated 18th Novemb 1982 between the Company, Suomen Pankki Finlands Bank ("Bank: of Finland") and The Law Debenture Corporation p.l.c. (the of Finland") and the Law Develutive Components 1.1.1. (tast Trustee") constituting the Notes (the "Trust Deed"), that on 31st October, 1986, Postipankki having acquired 100 per cent. of the then issued share capital of the Company, the shareholding of Bank of Finland fell below 51 per cent. thereof and Bank of Finland have accordingly executed and delivered to the Trustee pursuant to—Clause 7(1) of the Trust Deed a Deed of Guarantee dated 3rd News to 1006 components of all sums except in November, 1986 guaranteeing payment of all sums payable in respect of the Notes and under the Trust Deed. MORTGAGE BANK OF FINLAND LTD. By, Ilpo Niitti, Managing Director Dated 17th November, 1986

New Opportunities in Biotechnology for Venture Capitalists Park Lane Hotel,

Thursday 15th January BIO EXCHANGE 87 1987

A Market Place for the Transfer of Technology from Research Programmes in Biotechnology at UK Universities and Polytechnics for the benefit of industry.

exchange 87 is a one-day market place and information exchange about recent development in biotechnology. The event will provide experts and laymen working in venture capital, the financial institutions and industry and commerce an opportunit to gain an overview of publicly funded research in the industrial translation.

industrially valuable area of biotransformation. Speakers from key research areas will describe projects

with potential for development into industrial products or processes. Biotransformation has great potential for industry. It could provide novel routes to speciality chemicals or allow the more efficient use of costly ma applications cover steps to make effluents less harmful and the development of new cost-effective bloanalytical

Piccadilly, London W1

For a descriptive leaflet contact: BIOEXCHANGE 87 Organiser, Room A102, Laboratory of the Government Chemist Cornwall House, Waterloo Road, London SE1 8XY

The cost of \$63-25 includes VAT, morning coffee, lunch, afternoon tea,

abstracts of the papers and details of contributors. Telephone 01-211 3379, Telex 8813148 DfHQ G LABORATORY OF THE GOVERNMENT CHEMIST & THE ROYAL SOCIETY OF CHEMISTRY

## Diviso



Mechanical and electrical ser-Mechanical and electrical services for commercial buildings contributes a further film, in projects for Sun Alliance, Horsham; Eagle Star at Cheitenham and Wood Street, EC2; St Martin's Property, Swindon; MEPC, Farringdon Street, EC4; the Fenchurch Street Station office development for Norwich Union and the redevelopment

Sale of Steam Locomotives and related

**Spares** 

**Notice** 

d for the sale of 87 No. Kenya Railways Steam Locomotives together with some spares in the whole system. The fleet is a mixture of sidetank, Tender and Garratt Stea Locomotives which have since been stabled following the complete dieselization in Kenya Railways. The sale shall be on "as it is where it is" basis.

The tender documents can be collected from the Chief Supplies Officer, Workshop Road, Nairobi, Room No. 11, on payment of a non-refundable fee of KShs. 1,000/- (or its equivalent in US Dollars) per tender document, plus list of spares, in cash or bankers cheque, on any day during normal working hours. It will be necessary for the tenderers to verify all the details of the items offered for sale since these are not

This invitation to tender is open to tanderers from all countries except the union of South Africa.

The completed tender documents in plain sealed envelopes marked Tender for the sale of Steam Locomotives and/or related spares" should be addressed to the Chairman, Railway Central Tender Board, P.O. Box 30121, Nairobi, so as to reach him not later than 10.00 a.m. on 9th December, 1986 Tenders will be opened in public at 10.30 a.m. on the same day in the Rallway Headquarters Conference Room and tenders or their representatives may

attend the opening.

Tenders sent through the post must bear a post mark of at least five days earlier than the date stated above. Tenders delivered by hand to Railway Headquarters should be taken to Room

No. A 154. The highest or any tender will not necessarily be accepted. Any correspondece regarding this invitation to tender should be addressed to:-The Chief Mechanical & Electrical Engineer, Kenya Raiways, P.O. Box 30021, NAIROBI.

Telex: 22254 ENG. J. MIMANO MANAGING DIRECTOR



WITHOUT WARNING

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Financial Times Monday November 17 1986 **AUTHORISED UNIT TRUSTS** EQUITIES 77.4 24 45 13.3 Rd.0 3.0 13.3 14.1 R25 22 49 13.0 R2 13.2 22 18.6 R2 42 21 36.0 R2 52 7.3 7 13.8 rd.1 32 22 13.0 R3 12.3 13.3 R3 R3 13.5 R3 13 M & E Group (y)(c)(x)
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5 Overweight blondes, initially, 2 Skill needed to develop the 월구 [건물자] quince (9)
3 Man who may impose a rigid yearn to get in shape (6) 9 Reaction to a flogging (8) measure? (5)
4 Pardon sailor's love-affair (7) 01-2421148 -1.1) 0.55 -0.6 1.96 -0.7 0.25 -0.7 2.99 10 Tacitum native (6)
12 Singer gets the awkward note right (5) right (5)

13 Ridiculous, ridiculous, ridiculous, ridiculous, I quit! (9)

14 Gentleman to escort a lady (6)

15 A gear in a Renault, perhaps

15 Not knowing—how to mend a free (2) 3 4) G. & A. Trest (a) (g) 5 Rayleigh Road, Brestwood E. A.A. 1176 PB# 51122 +0.1 275 +0.2 5.35 +0.4 5.34 +0.2 — 124.7 13 Not knowing how to men fuse (2, 3, 4)
19 Dance apace (3-4)
21 A steep change in Spanish 18 Loses a game (8)
22 Their holds 041-249-6100 -047-6100 -047-6155 +039-906 -127-045 -239-147 -239-146 +039-326 +059-246 Japan Grpwth To.
Pacific Part. To.
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Tchnig, Ys.
Australia Trast.
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European Growth
Hong Kong To! \$ 26 It may be well-worn and well--32 295 -39 374 -28 62a -18 639 -92 085 +64 126 -65 050 International

U.S. & General

American Special
Japan & General

For Lett and Gen. Currency (o)

23 Their bank accounts are used (4)

23 Eight book (7) rent Ltd (a) (c) (a)

101-25-15-1

204 -0.2 0.15

204 -0.2 0.2

20 -0.1 0.7

107-107-107-60 orien misleading (8)
25 Yes—Russian tea may be
found here (5)
26 He cometh in play or cinema
production (6)

21 Bird book (7)
22 Wager about dumb animal
being a dog (6)
24 Cattle drive (5)
25 It's said in France to be the often misleading (9) Scottish Provident lov. Mgt. Ltd 65t Antrew Sq. Edisburgh 2 Equity Act. 173.7 185.0 18679 200 0 -0.7 0.55 -0.7 0.65 -0.7 0.65 -0.8 0.08 -0.4 0.03 -0.3 1.55 -0.3 1.55 +0.2 1.59 +0.2 1.59 123 123 124 134 134 137 137 137 137 137 26 He cometh in property of the production (6) same (5) same (5) ican election campaigns (8) ican election campaigns (8) The solution to last Saturday's prize puzzle will be published with names of winners next saturday. 985 6272 426431 986 -0.4 2.0 988 -0.4 2.0 98.0 -0.3 2.0 98.0 -0.3 4.75 51.5 -0.1 7.25 -02 -02 -03 +05 +04 +04 57 6 64 5 169 5sd 310.9 78 3sd 78.5 289 8sd rs. Litt

- 12 교 ( - 12 교 (

《文文》,"我们就是那些人,多可是那种,从不可能的人,不要不完成的。""这个人,也是是一个人,也是一个人,也是一个人,也是一个人,也是一个人,也是一个人,也是一个人, 《文文》,"我们就是那些人,多可是那种,从不可能的人,不要不完成的,我们也不会有一个人,也是一个人,我们也不是一个人,我们也不是一个人,我们也不是一个人,我们也

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Financial Times Monday November 17 1986 15. 15.05 15 101 **MANAGEMENT SERVICES** Tagement Co Ltd by, Sermola (805 809 295 4000 +0.34 11.55 -0.69 -0.69 +0.06 0.27 +0.06 0.27 -0.16 1.46 -0.11 0.45 See Life of Cuents (UK) Ltd 2,3,4 Custom St, SWIY 58H +000 MG +000 M 01-950 5400 | December 913 417 238 -0.24 550 +11 240 +0.07 549 | Comparison | Com 0534 70334 174.29 4509 174.21 +0,81 ---ement Ltd A GENERALI SOA 264 SAP 203 136.9 -0.9 174 123.3 -0.3 -100.5 +0.2 -201.2 +0.3 -### Note 16,466-66, FOR valve (#\$359,055.02)

Lazard Bruthers & Co (Generacy) List
Ph Sen 275, S. Peter Prof. Generacy
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32		ENGINEERING Continued   Tid   Division   Last   Division   Last   Division   Last   Division   Last   Division   Division
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15 Note 19 No. 1	13 - 40 Britt Marks 10p 24 14126 - 100 Art 10p - 10p 20 140 38	Age. Nov. May Nov. May 100 - 284 299 1236 29 0.917.0 Dec Jub/Hay (Nov. 2010) 100 - 255 27.10 3.75 1.5 3.428.6 - 270 May (Nov. 2010) 100 May (Nov.
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19.1m   15.0f   10.5 or 2) sessus   45   18   18.0 or 2) sessus   16.0 or 2) sessus	13(11)   Mar.   Dec   GUS A   Sec   GUS A	11  14     11  14
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Fall Stack E m Gress Curley Building, Timber, ROAD	15 13.07 7.8 3.8 11.22.9 Feb. Act Testal Group 59 280 16.6 11.65 8.0 16.0 17.0 15.5 3.0 16.5	8 0.819.3 Any sector 143 forces of 193 122 of 2.40 0.836.3 November (194 Group 15) 35 129.9 0.55 6.6 2.2 9.6 0.836.3 November (194 Group 15) 35 129.9 1.73 1.2 50 1
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## **APPOINTMENTS**

## Key posts at Nomura's London bank

Key appointments at recently-formed NOMURA INTER-NATIONAL FINANCE, London, include: chairman Mr Hideo Suzuki; managing director Mr Andreas Prindi; deputy manag-ing director Mr Akira Ishikawa; general manager (credit) Mr Peter G. Harrold (from Nat-West); general manager (treatury) Mr Graham R. Simister (from Midland Bank); general manager (administration) and company secretary Mr Masanori Spuilkawa: Aconty seneral company secretary Mr Massnort Sumikawa; deputy general manager (treasury) Mr Law-rence K. Duke (from Midland Bank); deputy general manager (credit) Mr Ricardo L. Sicre (from Saudi Int). The company is wholly-owned by the Nomura Securities Company, Tokyo.

Mr Klyoto Oyama, managing director of NEW JAPAN SECURITIES COMPANY, and New Japan Securities Europe has been transferred to Tokyo where he will become senior managing director of New Japan Securities Research Institute Company, from December 19. Mr Shunichi Hiratsuka, formerly the non-resident chairman of New Japan Securities Europe has become the resident chairman and managing director. On December 19 Mr Hiratsuka will also be appointed comanaging also be appointed co-managing director of New Japan Securi-

Mr A. E. I. Reeves has become a director of G. PERCY TREN-THAM. He will assume responsi-bility for the south and south east regions. Mr R. J. Hersey has resigned as a director.

Mr Keith Chittenden has been appointed marketing director of THE MARCONI COMPANY. Stammore, on the retirement of Mr Robert Ashworth at the end of the year. Mr David Chenery has returned to replace Mr Chittenden as managing director of Marconi Radar Systems, Chelmsford, He was managing director of Racal Communications. Mr Keith Chittenden has been

Mr Barney Barnett, previously chairman, has become chief executive and deputy chairman of ATA SELECTION. He has appointed Mr Simon Greenly, previously a non-executive director, as chairman. Mr Greenly is managing director of Greenly's, and chairman of Les Routiers in the UK and a non-executive director of Lioyd Instruments.

Mr Graham Smith has been Mr Granam smith has been appointed deputy managing director of BENCHMARK TRUST, a subsidiary of Benchmark Me was manager of the Bloomsbury

as managing director of Simon Engineering Dudley. He was managing director of Fielding &

Mr Christopher G. Poulton has been appointed managing disec-tor of ALEXANDERS LAING & CRUKKSHANK MERGERS AND ACQUISITIONS, part of the Mer-ACQUISITIONS, part or the mer-cantile House group's inter-national securities division, Alex-anders Laing & Cruickshank. Mr Poulton was a director of various members of the Cadogan Estates

Mr Donald MacKechnie has been appointed director of finan-cial analysis and control for THORN EML

AMERICAN RE-INSURANCE COMPANY has appointed Mr Gordon M. Diment as director and general manager of American Re-Insurance Company (UK). Mr Timothy J. Fox becomes director—operations, and Mr Terence R. Masters a director. Mr Diment and Mr Fox both joined in 1972 and were appointed to the board in 1984, as financial director and director for underwriting management respectively. Mr Masters joined in 1980 and will now assume responsibility for the management and control of underwriting. Mr Mahmoud Abdallah, vice president in charge of intervasional division operations of American Re-Insurance Company, has also been elected to the board of American Re-Insurance Company (UK). AMERICAN RE-INSURANCE

Mr Alastair Graham, formerly mr Alastair Granam, formerly head of commercial lending divi-sion, Girobank, has been appoin-ted assistant director, corporate banking, D. C. GARDNER & CO.

Following the acquisition of FITTER AND POULTON by Chamberlin and Hill, senior management appointments have been agement appointments have been made. Taking over as managing director of Fitter and Poulton is Mr H. Campbell Kerr, who continues as managing director of company Conduit Fittings. Continuing as sales director of Fitter and Poulton is Mr Barry J. Elliker who will also assume responsibility for the sales activity of Cooduit Fittings.

and David Hookway has been appointed managing director of the RENDELS GROUP and of Rendel Palmer & Tritton. He has assumed the responsibilities formerly held by lan Reeves as chief executive of the group. Mr Reeves is chairman of High-Point Services Group, the parent comsubsidiary of Benchmark. Me was manager of the Bloomsbury branch of Barclays Bank.

SIMON ENGINEERING has appointed Mr Michael Harrison

Receves is chairman of High-Point Services Group, the parent company of Rendels and will continue to be a director of both companies. Mr Hookway was director of operations of Rendel appointed Mr Michael Harrison

Mr David Hookway has been

of the Rendels board. Mr Brace Clarton becomes a director of Rendel Palmer & Tricton in addition to his duties as company secretary of the Rendels Group. Mr Brian Reeves is made assis-tant director of Rendel Palmer &

Mr G. Robin Party has become a partner in PRICE WATER-HOUSE, based in Glasgow. He was a consulting partner with Arthur Young.

Mr G. M. Gatley, Mr D. M. Ayres and Mr R. Foster have been amnined to the main board of AlliteD PLANT GROUP from December 17. They were directors of George Deward Co. prior to its merger with the Allied Plant Group. Mr. G. T. A. W. Horton has been appointed a non-executive director to the main board of Allied Plant Group.

APPLIED HOLOGRAPHICS has appointed Dr David Green-away to the main board. He will be based in Switzerland and joins from IGZ Landis & Gyr Cospn. Mr Tony Shardella becomes sales director of Applied Holographics. He was with Data Card U.K. as director and general manager.

Mr A. Thomas Vernon has joined the board of J. W.

SPEAR & SONS, He runs Chief-tein Products Inc. in Canada, and is also a director of Harbourdin International of Paris.

In the C. E. HEATH GROUP: Mr David Alian Graham is experiented an additional director of C. E. Heath and Co. (North America) from December 1. Mr Invation Reven Bloom so asso-Jonathan Bryan Bloom as 2850-ciate director; and Mr. Geoffrey. George Dixon, Mr Philip Stewart Holdway - Davis and Mr. Neal Ashley Thomas assistant direc-

Mr Peter Owers has joined the building supplies division of WHITECROFT as divisional purchasing manager, Mr Kamena O'German assumes full-time re-sponsibility as a director of Wiseport. Mr Owens was group buying manager of J. H. Senkey.

MITCHELL SOMERS fras eppointed Mr Martin Baker as finance director. Mr Alan Bean-mont will in future concentrate on the group's secretarial, legal and pension arrangements.

Miss Susan Christiansen has been appointed an essociate director of Lloyd's heoless, BRADSTOCK, BLUNT &

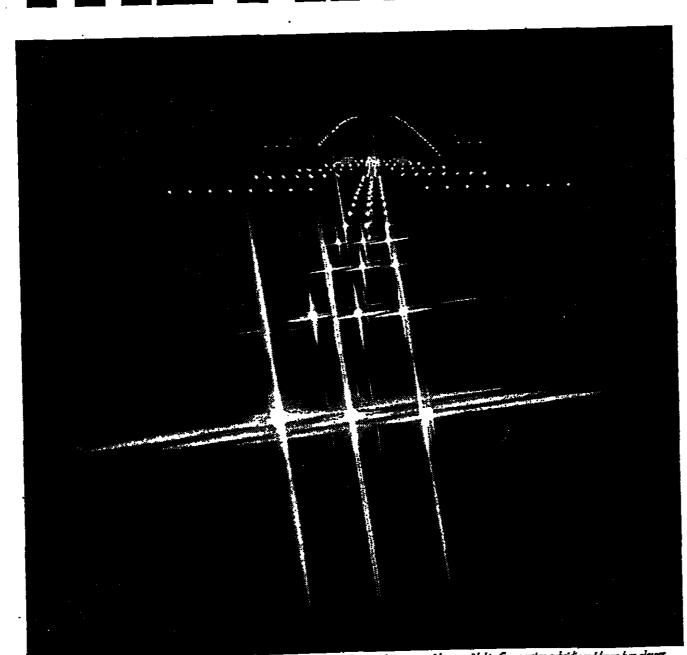
SPONSORED SECURITIES Change Gross Yield P/E Fully
Price on wask div.(p) % Actual taxed
134 — 7.3 5.4 3.2 7.7
149 + 5 10.0 7.1 — —
40xd + 1 4.2 10.5 5.6 5.1
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Granville & Company Limited 8 Lover Lune, London EC3R 68P Telephone 01-621 1212 Member of FIMBRA

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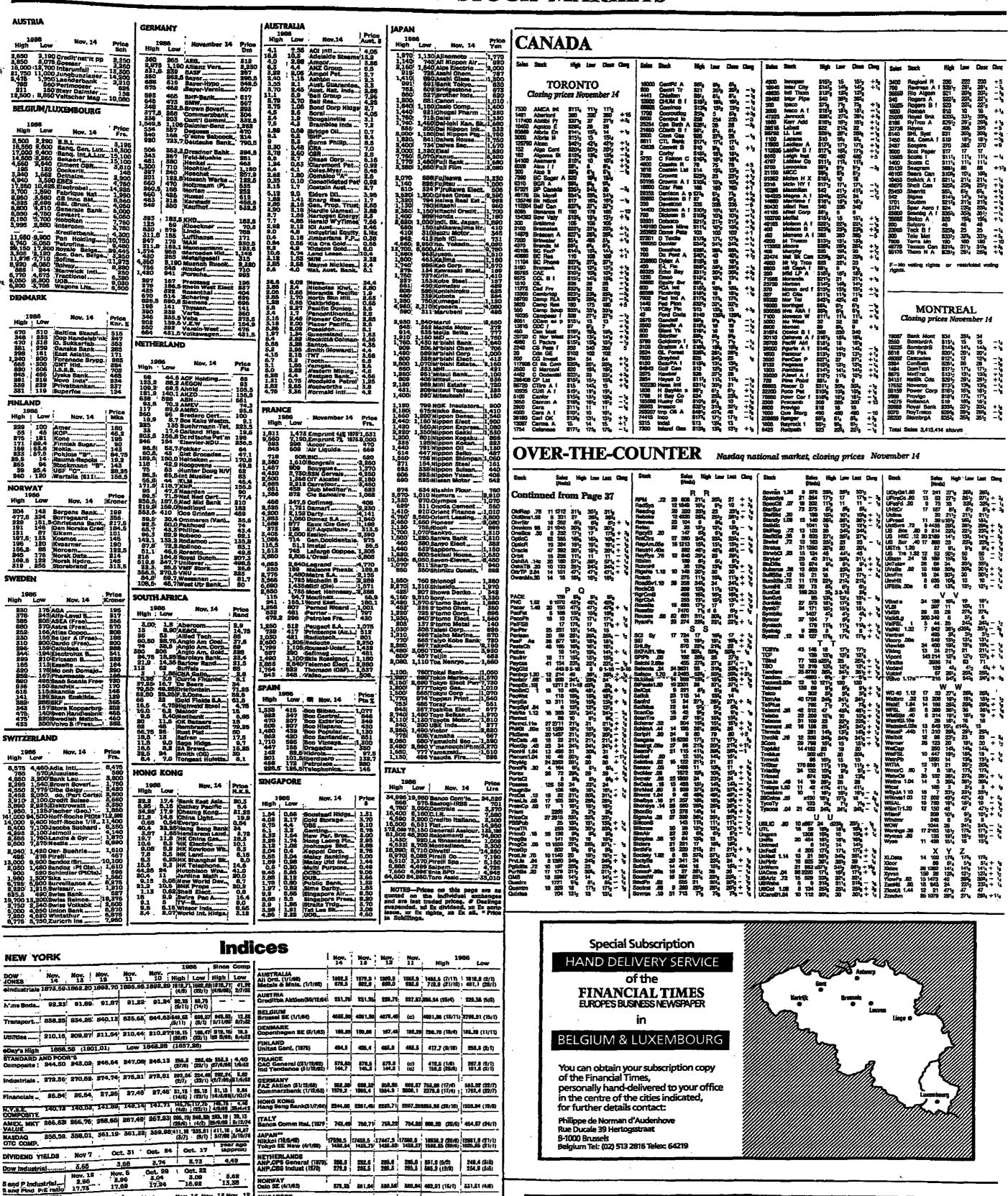
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#### **WORLD STOCK MARKETS**



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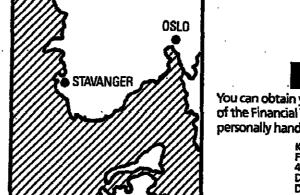
NEW YORK ACTIVE STOCKS

SINGAPORE Straks Times (50/12/68)

SOUTH AFRICA JSE Gold (28/8/78) JSE indust (28/8/78)

SPAIN Madrid SE (50/12/65)

SWITZERLAND SwissBankCpn (81/12/68) | 583,1 | 569,2



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7 2 O 4 15-18 4 281<sub>2</sub> 8 781<sub>2</sub> 22 36 53 1341 13 144 10 139 9 82 OMI Co OgliGps , OnloCa OldKni 1. Continued on Page 35

## Dollar left still looking for clues

A WEEK is a long time in the foreign exchange market. Seven days ago sentiment for the week ahead looked a little more rosy for the dollar. Unemployment figures were generally better than expected; the dollar had weathered out President Reagan's election rebuff in the Senate while a cut in the Japanese discount rate gave the dollar a brief

In the week that followed the dol-lar proceeded to lose over five pfen-nigs against the D-Mark with atten-tion appearing to focus on Friday's appearing to focus on Friday's se of the notoriously erratic US retail sales figure. It is hard to

£ IN NEW YORK					
Nov 14	Close	Previous Close			
£ Spot	1,4285-1,4295 0,61-0,60 pm 1,78-1,76 pm 6,44-6,36 pm	1.4265-1.4275 0.57-0.56 pm 1.81-1.78 pm 6.50-6.40 pm			

STERLING INDEX

\$11 ----\$11 ----

**CURRENCY MOVEMENTS** 

Bank of England Index

**CURRENCY RATES** 

N/A 50.3604 9.13236 2.42062 2.733878 N/A 193.957 9.00242 162.762 8.34185 2.00816 166.163 0.889619

C\$/SDR rate for Nov. 13; 1.66289

OTHER CURRENCIES

FORWARD RATES

AGAINST STERLING

make all that much difference which tends to suggest that hopes of a

dollar were possibly a little unwise.

This would probably be the case if the problems of a very large budget delicit and trade delicit were the only factors around. However the dollar historically starts to improve between now and the end of the year. Even in 1985 after the Group of

Five decision to supress the dollar's value, it was little changed between mid-November and mid-December. The amount of downward pressure on the dollar then is unlikely to be

**EXCHANGE CROSS RATES** 

Sterling .... U.S. Dollar Can. Dollar D. Guilder ... Sw. Franc ...

Yen per 1,000; French Fr per 10: Lira per 1,000; Belgian Fr per **EURO-CURRENCY INTEREST RATES** 

Long-term Eurodoltars: Two years  $6\frac{1}{6}$ - $6\frac{1}{6}$  per cent; three years 72-72 per cent; four years 75-73 per cent; five years 75-83 per cent monitori. Short-term rates are call for US Dollars and

1.0510-1.0520 | 1.16-0.340 ds |
2.054-2.054 | 13-14pf pa |
211.70-212.64 | 78-125c ds |
292-8-193.124 | 6-42c ds |
201-3-104 | 2pa-1 fire ds |
270-9-302 | 2pa-1 fire ds |

0.57-0.54; pm

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

1A220-1A315 1A290-1A300

POUND SPOT-FORWARD AGAINST THE POUND

1,4290-1,430

2854-2874 211.25-212.64 192.76-193.70 19814-19912 (0.644-10.714 9.372-9.422 9.882-9.91 2294-2314 20.18-20.25

EMS EUROPEAN CURRENCY UNIT RATES

repeated as strongly this year which may result in the dollar acting in

The dollar's fall against the Japanese yen was probably not cuite as bad as against the D-Mark demand at the lower levels, specula-tors were becoming increasingly wary as the prospect of central bank intervention entered the equation. Previous attempts have shown that central bank intervention cannot reverse trends single handed but in

2.532 1

112-112 61-62 82-81 52-52 31-31 45-41 82-85 102-104 72-72 72-72 72-72 102-107 102-107

4.66 1.79-1.76 pm 2.28 1.30-1.17 pm 5.33 45-45 pm 5.51 cm 5.51 pm 5.51 pm 5.50 0.50 0.80 ds 6.29 44-45 pm 5.75 215.365 ds

4.66 1.79-1.76 pm

tainty about the exact implications of the agreement reached between Mr Kilchi Miyazawa, Japanes Finance Minister and James Baker While comforted to some extent

by an undertaking not to talk the dollar down, suggestions that concerted action would be taken to stabilise market conditions created a problem, since specula-tors immediately assumed that a set range for the dollar/yen had been established and not

LIFFE LONG CILT FUTURES OPTIONS

the possibility of receiving severely unnaturally were keen to find out burnt fingers, caught short in a ris- what that was.

This week sees the release of more US economic statistics with capacity utilisation and business inventories due today, housing starts and revised third quarter GNP figures on Wednesday as well as personal income and consumption on Thursday.

Last Friday's release of US retall sales showing a fall of 5 per cent was broadly in line with expectations while a rise in nonauto sales of 0.2 per cent provided some comfort.

LIFFE US TREASURY ROND FUTURES OFFICES LIFFE FT-SE 200 INDEX FUTURES OFFICES

ably find trader and inves alike still looking for some clue on where the US economy and ultimately the dollar are heading.

Industrial production, perhaps the most important statistic released on Friday showed an unchanged rate in October after

September's 0.1 per cent gain. This was below expectations and left the market facing indifferent retail sales and industrial production and a mildly inflationary pro-ducer price index. Not ducer price index. Not unnaturally the dollar faled to make much headway of the weekend and this week will prob-

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## 1.85 1.85 1.85 4.70 Jan. 0.05 0.40 1.67 4.41 8.46 Strike Price 135 140 145 150 150 165 Mar. 13.00 8.00 4.01 1.95 0.81 0.29 0.09 7.90 3.65 1.30 LONDON Dec. Close High Low Dec. 108-04 108-16 108-02 1 March 108-09 108-16 108-10 1 June 108-09 1 Ex volume 18.213 (23,645) Previous day's open latt. 17,494 (17,360). LIFFE-STERLING £25,000 5 per £ High Law 1A250 1A225 1A072 1A072 Close 1,4245 1,4072 1,3902 1.5742 — 10 volume 33 (74) | Close High Lo Dec 94-40 95-52 95-| March 95-42 — | Est Volume 115 (138) | Previous day's open int. 900 (825) CHICAGO Ciose High Low 88.74 88.61 88.69 ct 89.01 89.08 88.98 88.99 ct 89.29 89.34 89.22 99.27 89.30 99.23 ct 89.05 — Colored Survey Sur 0.6173 0.6176 0.6220

MONEY MARKETS

## Sterling's vulnerability leaves its mark

planted as many seems of uncer-ty as hopes of sterling receiving support it may evidently need. Aired by the dollar's rapid line, the pound obligingly lost

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	Nov. 14	change	NEW YORK	Nov. 14	change
Base rates	11	Unct/d	Prime rates	75 55 553 548	Uncifd
7 day bite-bank	104	+4	Federal Frack	23	+0.09
3 month interbank Treasury Bill Tender	10.6388	+0.0708	3 Mith. Treasury Bills 6 Mith. Treasury Bills	548	+0.05
Band I Bills	107	Uact'd	3 Mrs. CD	5.80	Unch'd
Band 2 BHs	1013	Uach'd			
Band 3 BURs	104	Unch'd	FRANKFURT	55	Uncled
Band 4 601s	105 105 105	Uncir'd	One outh, loterbank	4525	+0.05
3 Mith. Treesery Bill	7015	Unch'd	Three month	4.673	-010
1 Mgt. Bank Bills	10%	+3	PARIS		
3 Mith. Bank 845	103	733	Intervention Rate	7.00	Quedit d
70KYO			One publisherbank	7/2	+4
Que montes BBs	4.34375 4.34375	+0.125 +0.0625	Three worth	7.5	+4
Three reportes Bills	4.343/3	TUUDES	MILAN		-
8RUSSELS	73	-650	One mosts	114	+12
One month	72 74	Ueck'd	Three mosts	114	Uncl/d
	***	9,40	DUBLIN		1
AMSTERDAM	E9	4.3	One month	13%	متدا
One storch	5å 5å	+ <u>2</u> +2	Three month	14	+4
this way					

**CURRENCY FUTURES** 

Spot 1-asth 3-asth 6-mth 12-me 1.4295 1.4240 1.4118 1.3951 1.365

*********							
NEW YORK (4 pm)		Treesury Bills and Bonds One month 5.07 Three year Two points 5.14 Four year					
Prime rate Broker loan rate Fed. funds Fed. funds at intervent	72 TA 64,-7 St 54 On	ret month k month k year vo year		5.53 Five y 5.67 Seven 5.82 10 yes	(2)	6	
Nov. 14	Overnight.	One Month	Two Months	Three Mosths	Skr	Lombar	

Noc. 14	Over- night	7 days notice	Month	Tiree Mouths	Six Months	One Year
Interhank Sterling Chs. Local Authority Deposits. Local Authority Deposits Local Authority Deposits Local Authority Boads Disconer Marriet Deposits Company Deposits Treasury Bills (Bay) Treasury Bills (Bay) Brank Bills (Bay) Dollar Chs SDR Listed Deposits ECU Listed Deposits ECU Listed Deposits	13-94 10-95 11-95 10-85	10%-10% 10%-10% 10 1002 	103-104 103-103 103-103 113-103 114 103-103 103-103 103-103 103-103 103-103 103-103 103-103	114-114 114-114 114-114 114-114 114-114 1014-114	114-114 114-11 114-115 114 114 114 114 114 115-15 115 115 115 115 115 115 115 115	114-112 114-114 114-114 114 114 114 114 114 114

**Isy Taman** First Interstate Bank of California

> Malcolm Blazey Lloyds Merchant Bank

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Agustin Mari Lloyds Bank Plc

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## FINANCIAL TIMES SURVEY

# Jests Italian Engineering Engineering

Recovery from recession and cuts in inflation have helped industry, but pay strife is raising fears of a return to instability and rising prices

## Risk of backward step

pressed by numbers. If corporate profits are soaring by 30 per cent or more, and if companies are raising billions of lire in Italy's booming stock market, then the country must be doing very well.

- 121 Ag

Recovery from recession has been as good as any in Europe and better than most. The economy is growing by 3 per cent or more a year and real personal incomes by nearly as much. The annual rate of infatton this war has feller from tion this year has fallen from 8.5 to 5.1 per cent and the Government thinks it can be held at 4 per cent next year, when total output should rise by 3.5 per cent.

debt in the late 1970s have facelifted their balance sheets with a speed and efficiency that could not have been predicted. Italian capitalism, while still immature in comparison with its British, French or German counterparts, is moving abroad in search of growth. A Ferruzi takeover in Britain or a De Benedetti acquisition in France for next year. Six or seven is to most Italians as satisfying industrial and public service

ridden, high-inflation, terrorist-plagued, politically volatile and corrupt Italy of the 1970s.

Internal victories have been won over the terrorism of the Red Brigade. Economic recession and technological change have weakened the trade union movement. Membership of the European Monetary System has been an important restraint on prices and reform of the scala mobile system of wage indexa-tion another. The same prime

By John Wyles

Companies grouning under minister has occupied the an almost impossible burden of Palazzo Chigi for more than three years and most of the key ministries have enjoyed a similar continuity. Nevertheless, at this very moment the three great trade

union confederations are looking unusually united in threatening a general strike, unless the Government adds LA,000bn to its social spending budget as, and far less dangerous than, a sectors are being hit by strikes colonial adventure was to their over national pay talks, the grandparents.— Governor of the Bank of Italy However, countries rarely is warning that Italy's rate of transform themselves in two or price increases is still too far three years. The "new Italy" ahead of its main European is different in some but not in every respect from the strike-

crat.
Early elections may follow but whatever happens no-one should bet on political stability and continuity over the next 12

This risk of a political step backwards towards the "old Italy" is a particular worry to industrialists and investors, domestic and foreign. Although Craxi governments could certainly have done more across a broad policy front, their efforts have, nonetheless, been much appreciated in the

The Prime Minister's decision to confront the trade unions in 1984-85 over reforming the scala mobile was a very impor-tant step towards controlling inflation. The attempt by Mr Glovanni Goria, his Christian Democrat Treasury Minister, to promote a medium-term plan for reducing the public sector deficit could, if present policies are maintained bring it down to 10 per cent of GDP by 1988.

This government, therefore, has credibility and has been good for confidence — that mysterious abstraction so necessary for investment decisions. Its successor may be no much more concerned about more than a weedy caretaker, the Government's intention to



Leading figures in moves to assure the health of the economy and the engineering industry: (left to right) Romano Prodi, president of IRI; Valerio Zanone, Minister of Industry; Prime Minister Craxi; and Cesare Romiti, managing director of Fiat

task of running the Socialist crucial powers to make and break governments.

In the run-up to takeover by the Christian Democrats — the so-called "Staffetta" — the the declarations of intent affectservice and pensions to road transport, came one last month from Mr Valerio Zanone, the Minister of Industry, a Liberal from Turin.

Demonstrating that supply-side argument has reached Italy, if not yet intoxicated it, Mr Zanone told Parliament there had to be a liberalisation of industry and the economy. Deregulation was mantling of price controls, new incentives for risk capital and changes in corporate taxes, he As far as manufacturing in-

dustry goes, this is welcome talk—but still just talk. Reform in Italy tends to be piecemeal, and not always coherent, because of the political deals which have to be cut in the name of maintaining the country's "consensus."
Engineering employers are

holding the fort until the next reduce its subsidy on companies. The bank is anxiously watchgeneral elections in June 1988. social payments, which will add ing the contract negotiations about L800bn to employment covering more than 10m public larly in the engineering sector, and private sector workers. It they hope to demonstrate that

It is on this front that Italian reckons that if the unions' saying they do to union bargainers in the current contract negotiations. About 60 per cent so-called "Staffetta" — the of the 3,100 engineering com-Craxi government is making a panies recently surveyed by late dash for reform. Among their industrial association, Federmeccanica, exported some of their production last year.

Their biggest anxiety is to maina 30 per cent devaluation of the US dollar against the lire over

of the oil price, the current account of the balance of payby about 7 per cent while ex-ports have been falling by 2.5 and the three union federations, per cent. In September this This specified the main purpose troubling trend took a serious of the national pay talks to be turn for the worse when export maintaining workers' purchasing volume slumped by 10 per cent. power.

It is not clear that exporting Union companies have got their pricing policies right. According to the Bank of Italy, reductions in input costs have not been fully

market because companies have the been maximising profits at the med expense of a lower inflation rate. Clearly inflationary expectations and union pay demands are

- or at least they have been costs would rise by about 3 percentage points more than anticipated inflation. The dominant fear in some

position, when union power and the scala mobile combined to push up unit labour costs faster than anywhere in Europe, except perhaps the UK.

But the 1970s remedy of frequent devaluations to protect exports is not now available, unless Italy were to be proced S dollar against the past 12 months.

After allowing for the halving into the humiliation of quitting the oil price, the current the European Monetary The pay negotiations, account of the balance of payments is showing some sign of stress. For most of this year, import volumes have been rising by about 7 per cent while exports have been falling by 2.5 per cent. In September this This specified the main purpose troubling trend took a serious of the rational new siles to be

union power can wax again.

Mr Antonio Pizzinato, secretary-general of the largest grouping, the CGIL, acknowledges that nearly a decade of rising unemployment and falling membership, defeats over the scala mobile and technological and social changes have seriously weakened the unions. But he says that workers are ready to use the strike weapon seriously weakened the unions. But he says that workers are ready to use the strike weapon in the current negotiations, to

restore some of the old balance in relations with employers. Mr Pizzinato and his col-leagues want new forms of consultation to be built into contracts. They are looking for parallels to machinery which has been quietly introduced within the state groups IRI and EFIM. Both have brought the unions into broad discussions of corporate strategies and likely

of the national pay talks to be maintaining workers' purchasing power.

Union demands appear to be more ambitious or to take a more pessimistic view of likely inflation over the next three years. Employers are talking about offering 14 per cent to the pace - setting metal mechanics while the unions want about 21 per cent.

But this year the unions are interested in more than pay, shareholders of minority stakes want about 21 per cent.

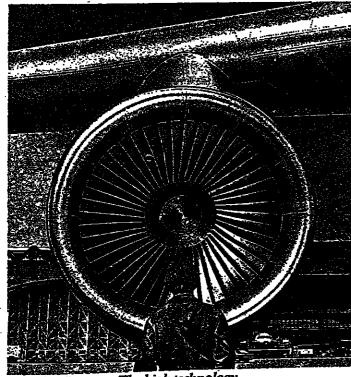
But this year the unions are interested in more than pay, Having involved their members in profitable businesses has

will be a happy man to launch his second term with the sale of Alfa Romeo to Fiat. This is a full privatisation and the first of any substance since the embarrassing government veto of last year on the sale of the

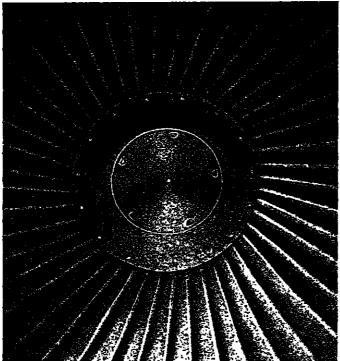
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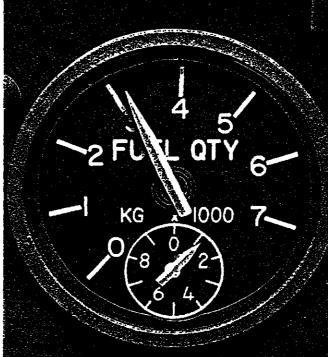
## CONTENTS Profile: Agusta Finance Machine Teols

## The bearing company that takes you to extremes.

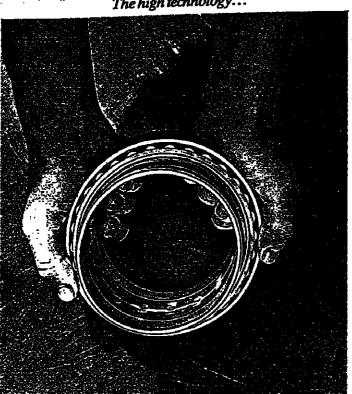


The high technology...

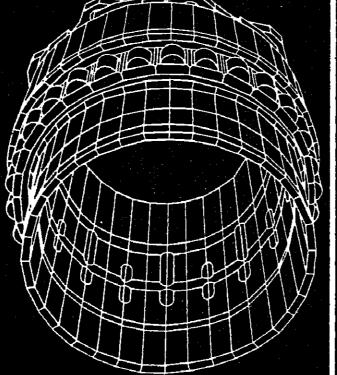




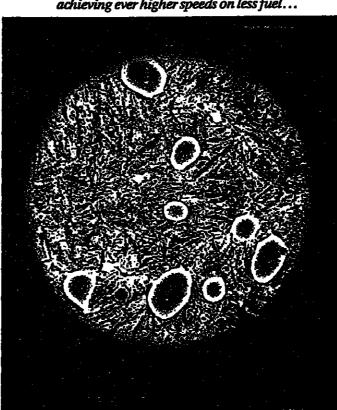
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For this, high standards of metal-working precision are required - and 'near-absolute' accuracy has to be maintained from steel purity through computerised design to

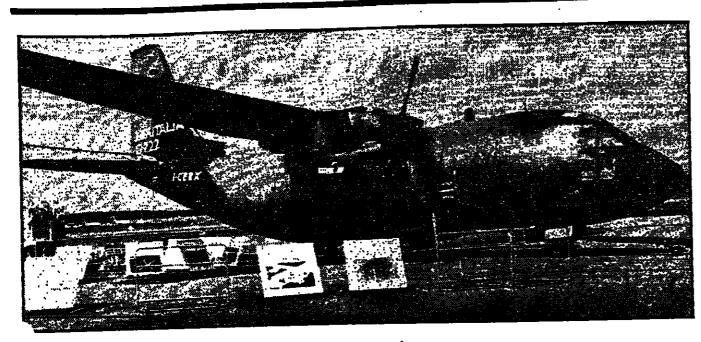
Now, by harmonising new theory with the reality of new technologies we have shown how bearing life-and reliability—can be prolonged nigh on indefinitely.

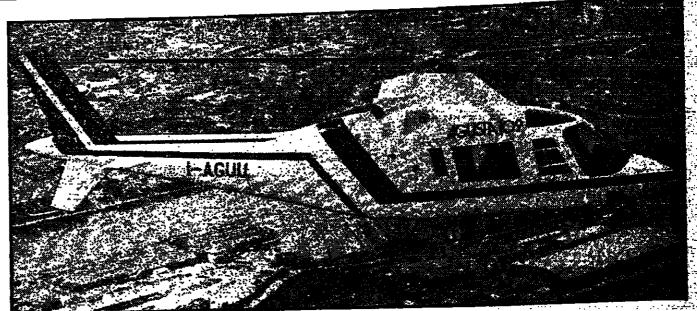
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Aerospace

## Political split blocks reorganisation

REFORMS HAVE been a constant subject of political debate in Italy in the 1980s. There is much to modernise and correct in a political and industrial system which laws have been stuck one upon another according to the political imperatives

However, intense debate often produces only modest results which, are too often a reflection of an acceptable political bargain between the parties rather

than a response to a problem. So it is with the organisation of the Italian aerospace indus-try. To all intents it is made up of two publicly-owned com-panies, Agusta and Aeritalia. The latter concentrates on civil

trainer and a small transport aircraft. Of the two companies it has had much the most difficult time during the recession years of this decade, but it now looks to be on the road to

Since neither Agusta nor Aeritalia is a major international aerospace presence, there ought to be some poten-tial benefit in grouping the two companies to encourage collaboration and remove overlapping, particularly in research and particularly in research and parties demurred. are international collaboration defence.

development Those attracted by this idea have argued that aerospace sector must be done success in developing vital feasibility study continues on a

good idea to put the two in the colours of the same state holding company.

ing company.

At present, Aeritalia belongs to IRI and Agusta to Efim. There are good historical and political reasons, but very few industrial ones, why Italy maintains these two acronyms. Politics prevall, however, and their separate existences seem likely to guarantee those of their two aerospace affiliates. aerospace affiliates.

If Agusta was transferred to IRI, then Efim would lose about a quarter of its 14,600bn turnover-which in any case is only a fraction of IRI's—and much of its reason for existence. But The latter concentrates on civil and military fixed-wing aircraft and has developed through close collaboration with other producers in the US and Europe.

Agusta is principally a helicopter manufacturer, although its range also includes a jet trainer and a small transport.

Christian Democrat power.

All these preoccupations and more help explain why after eight months of diligent research and dehate, three committees of the Lower House of the Italian Parliament were until the fortunation of the Parliament were until the parliament were able in September to produce agreed recommendations on re-organising the aerospace

There was, indeed, a majority in favour of placing aerospace under the IRI banner, but the Socialist and Social Democratic

Party's economic spokesman. By which he meant that any loss of spolls for the Socialists must be compensated by gains else-

where within the state sector.

The spokesman was Mr
Enrico Manca, a typical member
of Italy's political class. Once a
journalist, always a political
activist, he was briefly Minister
for Commerce until his name
featured in the membership list
of the notorious masonic lodge,
p2. His denials were subsequently upheld by the magistracy. He has been rehabilitated,
and just appointed president of
RAI, the state-controlled radio
and television company.

The parliamentary report on where within the state sector.

and television company.

The parliamentary report on aerospace, having failed to find its own broad consensus, did, nonetheless, ask the Government to produce its own reorganisation proposals within six months. But party differences which entireted agree. ences which obstructed agree-ment within Parliament may be just as difficult to overcome

within the Government.

In the meantime, Aeritalia and Agusta will continue going their separate ways with the continuing uncertainty about their future organisation caus-ing some embarrassment to their businesses.

that it would be a in the wider context of the re-to put the two in the structuring of state participation the same state hold-in industry," said the Socialist party's economic spokesman. By naving much the more difficult and Agusta. Collaboration between the two is already well-established thanks to the in 1983, and a modestly improved deficit of L144bn in 1984, the company reduced its

1984, the company reduced its consolidated loss last year to about L85bn. Thanks to increased shipments of both the A109 transport helicopter and the AB212, the company's sales showed a healthy increase from L861bn to around L1,125bn. Its helicopter subsidiary turned in its first profit—of L7bn—for three years. —of L7bn—for three years.

One of Agusta's main hopes lies in the possible multi-national development of its A129 light anti-tank attack helicopter — an ambitious uni-lateral venture where develop-ment has cost L700bn. After searching for partners for years and watching the A129's chances of becoming the Nato helicopter of its type dwindle, Agusta has at last found some potential partners for its devel-

At the Farnborough Airshow in the UK in September, Britain, Italy, the Netherlands and Spain agreed on a feasibility study for an aircraft to be christened Tonal (after the Aztec god of war). This could be produced in three versions: their businesses.

For both companies, the be produced in three versions.

For both companies, the watchwords of their strategies scout, anti-tank and air-to-air defence.

The both companies, the beautiful and air-to-air defence.

Meanwhile, the Italo-British Meanwhile, the Italo-British and considerable

The Aeritalia G222 (left) is still searching for big orders but the transport version of Agusta's A109 helicopter has boosted sales

and on the military front, with the British and West Germans in the Panavia Tornado

This is now in a very mature This is now in a very mature phase with more than 70 per cent of orders completed. Aeritalia is looking to the European Fighter Aircraft (EFA) project to be an important basis of future activities. The Italian company designs and builds the wings for the Tornado and it has assembled the 100 aircraft ordered by the the 100 aircraft ordered by the

The experience has yielded But the difficulties facing valuable technological and comboth Aeritalia and Agusta in

hopes of winning a larger share of the EFA project. But the company's two other major in the steep rail in the denar-the company's two other major in italian aerospace exports military projects, the AMX peaked in 1984 and fell slightly light fighter and the G222 transport are still searching industry spokesmen stressed. for substantial orders.

markets may be complicated by the steep fall in the dellar.

competition from the US and the need for continued effort to cut productions costs in Italy if defence sales were not

for substantial orders.

The AMX, a joint venture with Brazil, needs more than the 270 orders booked by the Italian and Brazilian air forces to be truly profitable, while the G222 has picked up only a few small packages of orders.

Nevertheless, Aeritalia's balance sheet is looking much improved. Profits leaped by no consolidated sales that were on consolidated sales that were through a public issue which raised L190bn.

But the difficulties facing competition from the US and the need for continued effort to cut productions costs in the need for continued effort. The need for continued effort to cut productions costs in the need for continued effort to cut productions costs in the need for continued effort to cut productions costs in the need for continued effort to cut productions costs in the need for continued effort to cut productions costs in the need for continued effort to cut productions costs in the need for continued effort to cut productions costs in the need for continued effort to cut productions costs in the need for continued effort.

Both companies, therefore, the gods who govern aerospace are rarely so generous. A companies might just shorten the odds against a broader based success. In the meantime, the continuing uncertainty over the continui

John Wyles

## Flying in the face of adversity

Profile: Augusta

Aeritalia, meanwhile, is forging ahead along its well-established lines based on co-operation with Boeing and McDonnell Douglas the US civil aircraft manufacturers,

appointingly small.

THE Augusta group brings to mind the image of the plucky but underweight fighter con-stantly being knocked to the floor but always picking him-self up and battling on. The impression derives more from the broad sweep of the com-pany's history than any parti-cular period—although the last 10 years has not been without their bloody setbacks and plucky recoveries. Agusta, un-der Raffaele Teti, is not a company which spends much time dwelling on its past. He took over as president in mid-1983 from Corrado Agusta, last of the Agusta family to have a hand in management.

Family companies, it seems, can remain family companies even when shareholder control passed to a state holding

public relations, the old Agusta group made some unfortunate acquisitions, built helicopters for stock, incurred considerable saved just over three years ago by a change of management and more than 1.200hn of and more than L200bn of capital from Efim.

Since then the company's workforce has been cut from about 12,000 to just less than 10,000, its losses greatly reduced from the 1983 peak of L173bn and its net indebtedness brought down to L933bn from

But such are the lead times in helicopter manufacturing that the models now being that the models now being developed and marketed were developed and marketed were pinned to the drawing hoard to succeed with a strategy in the old Agusta era. Blunt spoken though he is, Mr Teti is not in the habit of criticising what is in his own shop window. However, Agusta is beginning to succeed with a strategy based on developing helicopter families in collaboration with other. European producers. One single design can be marketed in a variety of forms according



Agusta and the UK's Westland are still short on sales of the EH101 helicopter

This means a gradual with-drawal from the licensing arrangements with Bell Helicopter which first launched Agusta into helicopter manufacturing in 1952. The company had been a celebrated aircraft producer since 1907, picked itself up after wartime defeat and began manufacturing the celebrated MV motorcycles in

It still manufactures a couple of fixed wing designs—a jet trainer and a small transport which are in need of orders. The group is now battling hard to succeed with a strategy based on developing helicopter families in collaboration with

to alter the range of its heli- to the purpose and electronic

The A129 is the most sophisticated example. has been developed entirely by Agusta for about L700bn and is being manufactured as an attack helicopter for the Italian Army. The group has also developed utility and naval version's of the A129. But its real potential, so Agusta believes, will be achieved through the "tonal" programme. If all goes well this will be the outcome of the bility studies signed in Sep-tember by Britain, Italy, the Netherlands and Spain.

With sales improving, Mr Teti is hopeful of cutting Agusta's losses to about L40bn from last year's L85bn and is other European producers. One aiming to break-even next year. single design can be marketed Agusta publicly professes its in a variety of forms according confidence in its ability to go

it alone in an industry where techonlogy, cyclical demand and political uncertainties put constant pressures on balance

is making an important contribution to product development. Nevertheless, to the outsider it still looks bizzare that Italy should have two aerospace preducers like Aeritalia and Agusta when their combined research and development efforts in avionics and materials development might be rather more effective.

The political obstacles to such a move may eventually be overcome and in the meantime future is no great help. "It is very destructive for a company which is trying to recover said one aggrieved executive.

## Share issues raise cheap cash

CORPORATE finance in Italy has taken some quantative leaps over the past year or so, with huge fund-raising share issues being launched on the Milan bourse.

The rise of the Milan stock narket, even if its big boom period is now over, has provided manufacturing companies with a cheap alternative to bank loans. The bourse is still too small, with only 176 quoted companies, but it is certainly and Silos subsidiaries on the way to becoming a credible source of capital for corporate Italy, and that in itself is a major development.

This year has seen 35 companies coming to the bourse for the first time — a record number of new issues. In each of the previous years (1984 and 1985) only a dozen came to

Milan stock market, including issues of several hundred million dollars each for groups such as Montedison and Ferruzzi, has been rising drama over two years has tically. Montedison has tapped improved profitability, tically. the stockmarket for a total of \$1.7bn this year, although the capital was raised by a string panies find they are able to ately the concept of merchant self-finance the bulk of new banking is not very well under-

Mr Carlo De Benedetti, the most ravenous fund raiser in Italian finance, is tapping the nearly \$2bn this year, again via a suring or nothing and operating company issues. Ferruzzl,
the Ravenna-based foods group
which has effective control of
Montedison and is hoping to
take control of British Sugar
in the UK, has launched share
and hond issues for its Acresis and bond issues for its Agricola

issues and right issues since January came to L9,681bn (\$6.8bn), against L3,904bn for

impressive, small companies in provincial Italy are still stuck with finance from banks and their double-digit interest upturn in the Italian ecomomy over two years has meant and improved cash flow. Many com- and come to market. Unfortun-

banks or the stock market. While control of major Italof corporate financial advices of corporate financial advice are multiplying. No longer is Mediobanca, the Milan merchant bank, the only player in town. Sige, the investment banking arm of the state-owned hanking arm of the state-owned in the corporate Finance Agency, has been stealing much of the limelight, Bringing to market companies such as Benetton and Assitalia, the state insur-

There are also other rising stars in corporate finance. These include Euromobiliare, the investment bank controlled in part by Mr De Benedetti, plus the Sopaf investment banking business run by Mr Jody Vonder, a Milanese banker and broker. The number of intermediaries is still small, but the market is grow-

Many Italian bankers speak of creating "merchant banks" importantly, to help companies raise funds

investments without going to frequently used to describe a holding vehicle which simply takes equity stakes in quoted or unquoted businesses.

More encouraging for Italian companies is the fact that with the growth of the stock-market, and helped by selective deregulatory measures by the central bank, Italy's largely state-controlled banking system is becoming a little more enterwhen it comes to company lead-ing. Interest rates remain high, but the past year has seen increasing competition among banks for the corporate client. and not merely at the top of

The result is a degree of conpetition on the rate front, with banks at times offering loans at 50 to 75 basis points below

It will still be several years before Italian institutions breed the kind of corporate finance environment in the city of London or Wall Street, but as a result of recent develop-

ments Milan is on its way. Alan Friedman

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Tractors

## Patriotism aids survival

ITALY'S TRACTOR makers industry is faced with a rough vided 49 per cent of revenue last have a hard row to hoe. World demand for agricultural from some strong points. Not- was thus considerably more machinery continues to be withstanding the deckine, the depressed. During the first half domestic market nevertheless of the year the negative trend absorbed 44,200 tractors last sales (21 per cent). continued in the large North year. This was not much less American market, while a than France (47,500) and con-

Heavy falls were recorded in Spain, Greece, France, Britain and Sweden, though these were partly compensated by slight improvements in Belgium, Holland Denmark and Norrey. Holland, Denmark and Norway. The Italian situation reflected the European average.

the European average.

During the past decade worldwide tractor sales have slumped dramatically. Excluding models under 40hp sold in North America and Japan, total global demand has fallen from 832,000 in 1976 to 585,000 last year. In Europe the market declined by one third over the same period. one third over the same period, from 365,000 to 247,000. Italy is Europe's leading tractor maker. The other countries of the con-tinent are the destination of about one half of Italian production. So it is clear that Italian manufacturers are facing condi-tions which are far from easy.

The state of the s

As for the cause of the slump, those involved in the sector point unhesitatingly to the world agricultural situation. Production surpluses mean that farmers have less funds available for investment in for investment machinery, which in any case becomes less necess

These structural factors likely to be reinforced in the future. Genetic engineering and improved seed types will lead to higher yields. At the same time, agriculture in Europe will see a further decline in the number of farming units and this will result in a smaller need for tractors. Unione Nazionale Con-struttori Macchine Agricole (Unscoma), Italy's national association of agricultural machinery manufacturers, believes that the situation will worsen for its members.

decline in the late 1970s, Italian tractor makers enjoyed a brief respite. While they suffered from reduced export opportunities, there was some compensation at home. The early 1980s were a period of high inflation and Italian farmers continued to buy tractors as a form of infinition-proof saving. But in the past three years the results obtained in

(24,900) and Spain (22,500).

Moreover, a marked preference by Italian farmers for national models gives Italy's industry an edge for surviving today's difficult conditions. Unlike its European neighbours, the market in Italy is highly concentrated. Last year the Fiat subsidiary Fiat Trattori alone took 44.8 per cent of the pany spent L67bn last year on took 44.8 per cent of the market, while the share held by the Same Group amounted to 20.9 per cent.

Unacoma says that there are more than 2,000 makers of agri-cultural machinery in Italy, But the large majority are small engineering workshops. While recognising the respectable 11.6 per cent share of Italian tractor the E & D costs incurred by Massay Expression II and the E & D costs incurred by the E & D costs incurred by demand which was met by Massey Ferguson/Landini last year, there are only two manufacturers who count as heavyweights. And, given the relative shares, Fiat Trattori holds a formidable lead over the Same

Their strong domestic base gives the two large Italian tractor makers an excellent starting point for exploiting the wider European market. They appear to have grasped the opportunity. Fiat's share last year was 17 per cent (compared with 11 per cent in 1976) and kept it firmly in first place as market leader.

The Same Group took 7.1 per cent, which was ahead of Renault and Deutz, and pushing hard at Ford's 7.2 per cent share. Together Fiat Trattori and the Same Group held nearly one quarter of the European market in 1985. However, the fortunes of the

When demand started to two large Italian tractor makers present somewhat different pic-tures. As part of the Fiat Group it might be expected that Fiat Trattori would not be far from the excellent results which the Turin-based corporation has returned over recent years. Indeed, net income last year was L38bn (L31bn in 1984) on net sales and revenues of 12,149bn (L1.950bn).

Fiat Trattori is strong in tackling inflation have knocked Europe, where it seems to be Same Tration generates formation regarding the pre-sway does stended prop. strengthening still further. The about two-thirds of the turn-vious year's eperations. Cuts Yet elthough they's tractor continent, excluding Italy, pro-over of a group which includes reduced the group's labour force

important than the home market which absorbed 24 per cent of

continued in the large North American market, while a than France (47,500) and condecline of 13 per cent was registered in Europe. Germany (34,800), Britain elsewhere. Sales in North and Heavy falls were recorded in (24,900) and Spain (22,500).

pany spent L87bn last year on production logistics, the renovation of the product line and improvement to production means. In the previous year investment had amounted to

other companies in the Fiat group on important tractor ments such as the engine. The emphasis given by Fiat Trattori to investment and R & D is considerable, the Trattori company recognising that such expenditure is fundamental to competitiveness. Innovation is the way to obtaining better performance from the product and enhancing sales.

Investment requires financial resources, an area in which Fiat Trattori is well placed. As part of a large conglomerate it enjoys wide access to finance and the availability of internal

This is an aspect which sets of L21bn. it apart from the Same Group. In reporting on 1984's results, Same's directors noted that the company's competitors, are, or belong to, large groups.

as a proportion of sales (in 1984 Same Tratton's total invoiced sales amounted to L315bn) the level of investment was similar to Fiat Trattori, the Treviglio company lacks the extensive resources which are available to subsidiaries in the Fiat Group.



Assembly at the Fiat Trattori plant in Modena

returned a loss of L3bn in 1984. At group level losses amounted to more than L5bn.

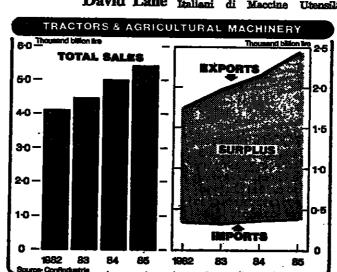
In 1984 Trattori Lamborghini suffered losses of L9bn on turnover of L130bn, while Hurli-mann lost L2bn on sales of L24bn. On the commercial side, Same's Spanish sales subsidiary lost L4bn (turnover L27bn), the North American subsidiary lost L8bn (turnover L21bn) and the British subsidiary lost Libr (turnover Li3bn). In Germany Same Traktoren Vertrieb found itself in a position of insolvency ses of L7bn on turnover

During the two-year period 1984-85 the company had to provide L36bn to support the group's commercial network. The directors' report records: Investment at Same Trattori "Many foreign affiliates have has been much lower than at found themselves in positions of Fiat's tractor subsidiary, the real financial ruin." High stocks most recent financial statements and problems over accounts showing L10bn in 1984. Though receivable have been major headaches for Same's manage ment.

> Although the company has embarked on corrective action, there must be doubts as to the real possibility of a return to full corporate health. beginning of October, Same was unable to provide financial information regarding the pre-

Trattori Lamborghini and from 2,998 in 1980 to 2,585 in Hurlimann. The company has 1983, and there has been re-suffered considerably during the crisis. In sharp contrast to scheme. However the company Flat's profits, Same Trattori refuses to comment on the cur-

In the 1984 report, Same's directors noted that the recession in agricultural equipment irreversible structural change. While it is generally agreed that Fiat now has the corporate muscle and resilience to cope with bleak world tractor situathere is speculation over Same's long-term future in an independent role.



Machine Tools

## Focus on the dark side

Machine Tools

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try, which ranks as the world's fifth largest in terms of sales and exports, looks set for only modest growth in the current year. The 400 Italian machine tool producing companies remain among the world's most dynamic, from the smallest sub-contractors to the industry's undisputed champion — the Comau factory automation sub-sidiary of the Turks-based Flat

The problems facing the Italian sector, however, include the adverse impact on export Soumer UCIMU sales caused by the westness of the US dollar against the Italian currency (more than 50 per cent of Italian machine (UCLMU), tends to dwell on tool exports are in the dollar area) and stiff competition from the world leader in

archine tools, Japan.
Thus, Italian machine tool exports this year are expected to rise by just 6.6 per cent in nominal terms to L144bn (\$1.3bn) which is a mere 1.5 per cent increase once adjusted for inflation.

This export performance, which is distinctly lacklustre. follows a 1985 export recovery which saw total sales outside of Italy jump by 37.9 per cent. The only consolation for Italian machine tool exponters is that the industry's total importexport picture will still leave the country with a healthy L1,000bn trade surplus, even if that is virtually unchanged on

The Italian machine tools industry, and particularly its national manufacturers associa-

David Lane tion, l'Unione del Costruttori Lialismi di Maccine Utensili

problems, however, even some-times to the point of exaggera-tion. One reason for focusing on the dark side is a desire by UCIMU to win back government financial incentives hapsed more than 18 months ago when the legislation (Law 698) which provided grants and sub-sidies to machine tool purchasers came to an end. The L150bn of grants under

Law 696 helped domestic sales in the first balf of last year. But even without the special subsidies the domestic picture during the first six months of this year was still reasonably buoyant.
Domestic orders, for example,

rose by 29 per cent year-on-year and by 27.7 per cent during the second quarter. Indeed, on the basis of UCIMU's own forecasts, total domestic machine tools sales in 1986 should amount to L930bn, an overall increase of 19.4 per cent on last year and still something like 14 per cent after adjusting for inflation after adjusting for in

The explanation for this better domestic showing in the current year was provided by UCIMU in July when the asso-ciation reported that "our indus-triel system, which has finally emerged from years of inertia, is now demonstrating the desire to make a commitment to investment in new technology end innovating manufacturing

With an eve to the politicians in Rome (who are still being lobbied by UCIMU for a new set of legislative subsidies), the association meanwhile declared that domestic orders in the second quarter of this year were still nearly 30 per cent below the level of 1980.

The real truth is that, industry

laments notwithstanding, Italy's machine tools manufacturers have been successful compared with many of their overseas competitors. Last year export sales represented 7.3 per cent of total world exports, again confirming Italy as the fifth most important exporter in the world. Italy also ranks fifth as a producer, after Japan, West Germany, the Soviet Union and

Some small companies have gone under in recent years, but the machine tools industry still holds its employment level of 28,200 workers, more or less constant with previous years.

Exports may be registering only a modest rise this year, but the Italian sector still sells more than 60 per cent of its production outside the country. Countries in the European Com-munity account for a third of Italian export sales, non-EEC countries take a further 16 per cent, eastern European customers represent nearly 10 per cent, while African nations buy about 6 per cent, Asia roughly 13 per cent, North America 17 per cent, and South America 17 per cent, and South America 17 per cent, and South America

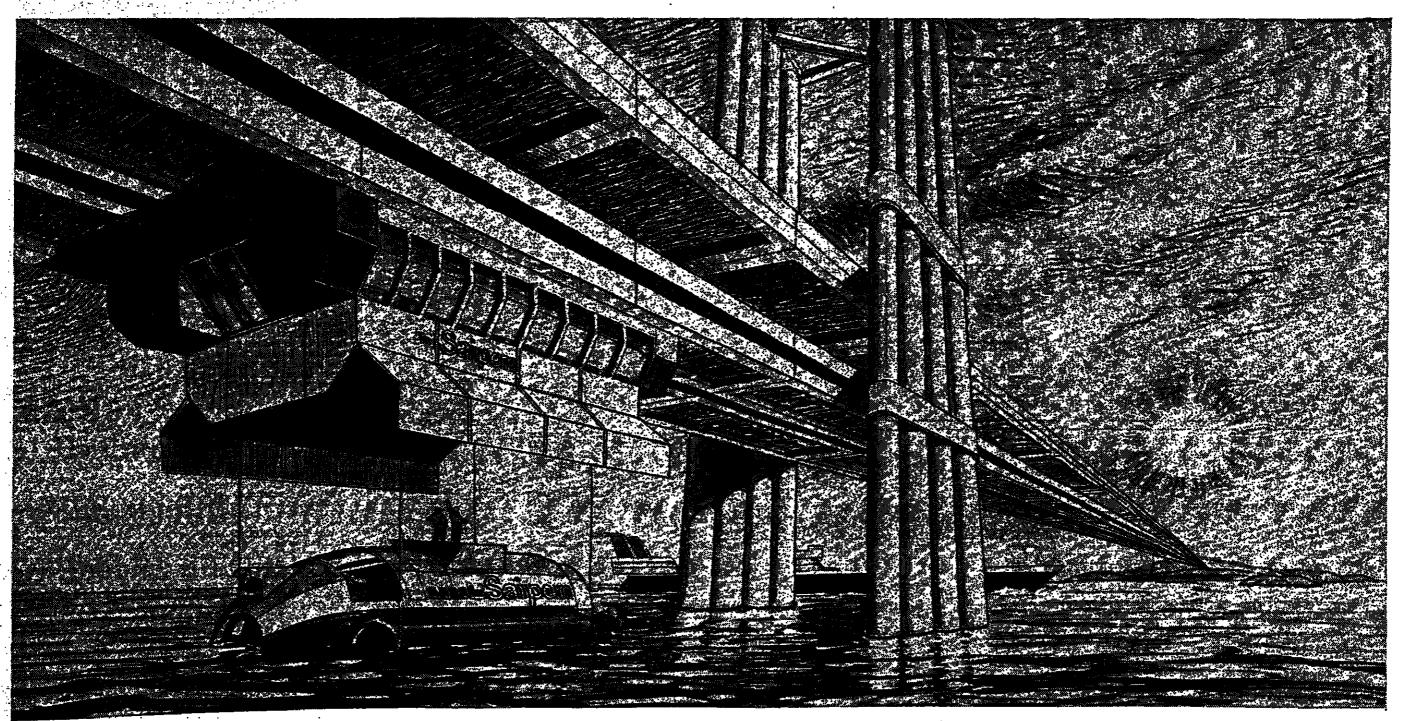
more than 4 per cent. Italy's machine tools makers have for several years maintained a consistently diversified geographic spread of exports. forging new ties frequently, such as UCIMU's technology transfer project with China, which has been under way since 1982 and is already bearing

machine tools producers is another issue, and Italy is not alone here. The country, like West Germany, is fearful of the scale of Japanese investment in technology and automation. On the other hand there are few companies in Europe which have achieved success in factory automation which has been chalked up by Coman, which is now a major supplier of automated assembly kines for the making of aluminium cylin-

der heads to General Motors. GM recently bought 20 per cent of Comau's US subsidiary, in part to keep closer watch over an important supplier, in part because of faith in Comau's profit potential. Coman also recently entered a joint venture with Digital Equipment Cor-

poration. Coman may be considered an exception in the Italian industry, but other big companies are also working on developing new flexible manufacturing systems (FMS). After Coman there is Berardi of Brescia and Olivetti's

Alan Friedman



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## Rivals turn into allies

The collaborative development of a multi-function phased array radar (MPAR) phased array radar (MPAK) for the Nato frigate replacement programme in the 1990's, announced at September's Farnborough Air Show, is typical of several international projects on which Italian projects on which Italian companies will be engaged. Selenia, an electronics Selenia, an electronics subsidiary of the IRI state holding corporation, will be working on the European MPAR with Marconi Radar

France's Thomson CSF.
Mr Nicolas Zalonis, Selenia's general manager, described the EMPAR agreement as historic. "For more than 20 years Marconi and Thomson fought

variety of functions, such as Zalonis said.
search, acquisition and tracking.
This newco by separate items of equipment. ing—a

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makes such neavy demands that pooling resources to share the economic and technological burden provides the only sensible solution." Mr Zalonis

National markets do not offer sufficient volumes to spread the development costs associated development costs associated with projects like EMPAR. Monopoly at home is not enough, and a share of export markets is essential to recover investment costs.

with Marconi Radar "Collaborative ventures like of Chelmsford and Thomson CSF. EMPAR give a much larger guaranteed home market and a better chance for exports," he He foresees European defence industries increasingly working together, though through a

Marconi and Thomson fought each other worldwide. But now they are working together on EMPAR," he said.

On an equal footing with the British and French companies. Selenia holds a one-third stake in the project, though this will he reduced with the arrival of a fourth partner from Spain. The MPAR will perform a variety of functions, such as Zalonis said.

This newcomer to the high search, acquisition and tracking.

which are currently carried out technology of defence engineerwhich are currently carried out technology of defence engineering—a sector traditionally

Italy certainly does not consider itself to be a second class member in the collaborative projects. This is a measure of the progress made over 20 years. From manufacturing equipment wader licence the large Italian under licence, the large Italian defence companies can now claim a high level of design

autonomy.

Part of the advance stems from the substantial re-equipment programme by the Italian armed forces which started in the mid-1970s. Mr Zanolis emphasises the considerable change in the military customers with whom Selenia deals at

"There is now much greater technical and managerial ability," he said. The Italian armed forces have learnt to ask for high performance from their hardware. Users and suppliers have benefited from growing Moreover, in the late 1970s

and early 1980s, Italian manufacturers of defence equipment found the surge of orders at home being reinforced by boom-

ing export markets. Between 1978 and 1984 the

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detailed engineering, risk

analysis, procurement, quality

assurance, construction, train-

ing of skilled workers and

plant operators, plant start-up

and operations, product mar-

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keting assistance.

individual packages of Int

"tum-key" projects.

THE Italian defence industry, now well established among the majors of the world league, is laying down the foundations for the 1990s. Collaboration between companies, both nationally and internationally, will provide the strategic framework for most large military projects.

The collaborative development of a multi-function ment of a multi-function makes such heavy demands to share the property of targets located in a full france and Germany—has made of targets located in a full france and Germany—has made its presence felt relatively posing a question also be capable of tracking al

created opportunities for the makers of weapon systems. Electronics companies like Selenia, its subsidiary Elsag Elettronica San Giorgio and the sey affiliate Elettronica took the chances which arose from Fincantieri's success in selling its ships abroad. Radar, fire electronic counter measures and command and control systems were needed to equip the platforms constructed

Italian companies were also manan companies were also alled to supply the guns and missiles of the warships built for its own fleet and for foreign navies. Oto Melara and Breda, subsidiaries of the EFIM state holding corporation found their holding corporation, found their order books lengthened by order books lengthened by Fincantieri's success in export

Fincantieri.

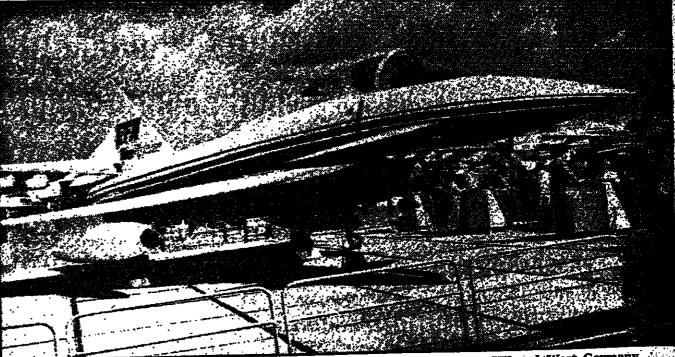
The fall of the dollar and the collapse of oil prices, coupled with the completion of purchasing programmes, has closed the possibilities of significant new export contracts for Italian defence contractors in the short defence contractors in the short and medium term.

"We are facing a serious crisis in export markets," admitted Mr Zanolis.

admitted Mr Zanous.

In the current context of weak export demand, tough competion and the high costs incurred in developing new systems, the emphasis on col-laboration makes sense.

Oto Melara already enjoys a long-standing association with the French company Matra, the Otomat missile being the result of this partnership. Oto Melara has recently joined forces with Selenia and the Fiat affiliate



The experimental fighter being developed by Italy and partners in the UK and West Germany

to form a consortium called Italmissile.

The consortium will produce the Matra Mistral low-level air defence missile under licence. Italmissile will also be responsible for developing an anti-tank missile to replace the Milan in the 1990s.

Until last year about three-quarters of Oto Melara's sales were abroad, with export con-tracts priced in dollars. But when 1985 closed, the year's financial statements revealed that the company had experienced a drop in turnover. This year sales are even lower.

Like Selenia, Oto Melara believes that cross-frontier

co-operation between defence contractors will increase. Indeed, to complement its French link with Matra, Oto Melara has added a British connection. It has recently agreed to collaborate with British Aerospace on the development of a course corrected 76 mm shell.

It will be interesting to see whether Oto Melara will be collaborating with non-Italian companies on its tank pro-being opened. He draws atten-grammes. There is, however, tion to the shift in the techno-

probably little room for out-siders on the M60 replacement siders on the M60 replacement which Oto Melara and Fiat have brought to an advanced stage.
While a European partner on the Leopard replacement cannot be ruled out, this is likely

to depend on the position adopted by the Turin-based corporation. Fiat is attaching increasing importance to its defence activities.

Progress by Italy's companies and growing emphasis on Euro-pean solutions to defence prob-lems have tended to push trans-atlantic business and connections into the background. Yet Italian companies can claim some successes in the US, not-

withstanding the strength of the

home industry. Oto Melara's 76/62 mm gun has been purchased by the US Navy, and Selenia has teamed Navy, and Selenia has teamed if firepower of its congression up with Sperry to produce air firepower of its congression up with Sperry to produce air firepower of its congression.

While there is a sizable technical congression to between the old nological gap between the old frontiers of handguns and the new frontiers of the strategic defence initiative, Italy's

the US Marines.
Mr Zalonis believes that
Selenia's partnership with
Sperry on the transportable
radar will lead to further doors

logical equilibrium between the US and European Nata involvement in SDI has been agreed. Italian companies are and European Nato now getting ready to participate at a practical, project level. According to Scienta, the dist "US suppliers were a long way shead when the Nato Air Defence Ground Equipment contracts could be assigned (Nadge) radar system was stablished in the late 1960s and (Nadge) about the end of the

competitive shoot-out four years ago, was still contesting Beretta's contract through the firepower of its congressional

defence industry seems to have

innovation

for robotisation is tacking those

points of production where quality can benefit most.

Competition is severe. "Inno-

vation, as well as encouraging

and causing fierce competition on costs," Mr Merloni said. He

expects that costs will continue

Three quarters of buyers are

feel secure when they purchase, they therefore choose appli-

manufacturers escaped the crisis

which hit the sector in the early

1980s. The awkward combina-tion of a stagnant market— demand is now essentially for

replacement units rather than

from new purchases—and in-

creased capacity provided a

ene test for corporate resi-

prepared to switch from brand to brand. Because they want to

demand segmentation,

from the appliance

early 1970s. The gap on the Nadge replacement is signifi-cantly reduced," he said. be limited. Yet notwithstanding achievement of the Italian defence industry since the mid-Beretta's success in winni the contract to supply the US Army with 316,000 hand guns was a compliment to the high engineering standards of the 1970s, there is an aspect with which it will have to get to grips. Many observers believe that fragmentation is a funda-Italian company. However, firemental weakness urgently requiring remedial action. arms are an emotive issue and arms are an emouve assue and the victory of an outsider rankled with the American losers. This summer, Smith and Wesson, soundly beaten in the

Associated with this fragmen-tation there is a significant level of politicisation in the state-owned IRI and EFIM companies which comprise a large part of the industry. While mergers and concentration would do much to rationalise the defence sector and improve overall efficiency, such a process would reduce the opportunities for political appointments.

David Lane

#### Domestic Goods

## Flair and efficiency underpin lead

industrialists, from 1980 to 1984. This kept his attention focused on the wider issues facing problems, he is again dealing problems, he is again dealing microeconomy of the family firm where he is chief

Merioni Elettrodomestici is Italy's second biggest producer of large domestic appliances. Its Ariston brand accounts for 5 per cent of the total production of white goods in Western Europe. pany in the early 1960s. He experienced at first hand the success which Italian manufac-

turers won for the sector during the years of the economic miracle. The dominant position which Italy achieved 20 to 30 years ago has not been lost. On the contrary, it has been strengthened. Last year Italian manufacturers ounted for 39 per cent of the total production of white goods in EEC countries. West in EEC countries. Germany trailed some way behind with 22 per cent while France took an 11 per cent share

and Britain 10 per cent.

"Many outsiders attributed the Italian achievement to low labour costs. But this was not the main reason," explained Mr Merloni. "Labour costs now

VITTORIO MERLONI has been back at the sharp end of business for the past two years. He was in the political frontline as chairman of Confindustria, the confederation of Italian the confederation of Italian the confederation to the 1984 to 1984 the last the confederation to the 1984 to 1984 the last the last the confederation to the 1984 to 1984 the last the last the last the last the last two periods to 1984 the last two periods the last two periods to 1984 the last two periods the last two periods to 1984 the last two periods the last two periods to 1984 the last two periods the last two periods to 1984 the last two periods the last 4,252 3,519 672 3,095 2,787 2.319

> of the total cost of an appliance" he added.

Three other factors crucial in putting Italy ahead of the competition: high produc-After studying economics Mr tivity, the engineering content Merloui started with the com- of the products and the imaginapany in the early 1960s. He tive flair of designers gave Italian white goods an edge which they have not lost.

> Emphasis on productivity improvements continues to be a strong feature of the sector. In 1980 the average factory in Italy produced 400,000 units with 800 employees. Output per employee increased by 50 per cent. In the brief span of five years, with the average factory producing 450,000 units and employing 600 workers in 1985. nploying out women.
>
> The pace of change seems
>
> continue. Total likely to continue. Total employment in the sector amounted to 35,000 last year, compared with 70,000 a decade before. "It is expected that the number of jobs will be 15,000 in 1990," Mr Merioni said. Further rationalisation at

Further rationalisation at Zanussi and the closure of Indesit, where 5,000 workers are laid-off and drawing benefits from the state Cassa Inte-grazione Guadagni scheme, will probably provide the bulk of cuts over the next few years.
"While automation reduces the need for labour, this is not the main reason for the increasing reliance on auto-mated manufacturing systems. The requirement for flexibility in production and the search

for ever-higher levels of quality

explain the growing use of machines rather than men," Mr

Merloni said. The number of different models of household appliances has risen sharply, with the average factory now manufac-turing a range five times as hig as in 1980. The buyer is faced with a large number of refrigerators, freezers, dish-washers, washing machines and cookers from which to choose. Mr Merloni remarked: "You may think the consumer is but

bemused, b According to Mr Merloni, the enormous choice offered by the manufacturers reflects many and varied needs of buyers. The market is already highly segmented and will be-come more so. User classification is extensive and complex, with a scale from innovative to conservative. There are single users and family users, the latter varying in size, and appliances may be bought for apartments, villas or holiday homes. The creation of a large range of products is not just a

and development costs account for a further 3 per cent, again a level which is above average for the sector. 5,985 3,441 66.6 greater automation in manufacments in the quality of appliances. The quality aspect is becoming increasingly relevant.

way of generating demand, but a way of satisfying it.

Programming and producing
a vast number of models calls

for a high level of sophistica-tion. While the Italian industry has collectively answered the call Merloni Elettrodor probably leads the other com-"We aim to produce 'just-in-time' replacing stock by making what was sold in the previous week. An efficient information

system is crucial to maintain

low stock levels. We turn our stock 10 times a year, which is about twice the rotation of other companies," Mr Merloni Innovation has played a key role in putting the Italian "white goods" industry into its leading position in Europe, and in keeping it there. Partly it is a question of design and model renewal. Ariston's award-mining. Mangherita reaching winning Margherita washing machine, which, notwithstand-ing the spotlight on Italian design is the work of a Japa-

the product life cycle. three years old, it is considered a mature product. Over the next three years it will be obsolete. why Indesit is thought to be a why Indesit is thought to be a lost cause is the duration of the crisis which the company has suffered. Insufficient innovation over a period of five years is extremely debilitating in a sector where new products and new technology provide the muscles for survival.

"I only of investment has noth-

nese designer, is an example of

"Lack of investment has prob-ably killed off Indesit," Mr The high level of plant depre-

An already difficult situation was exacerbated in some companies by wrong strategic decisions. According to Mr Merloni, both Indesit and Italy's largest manufacturer, Zamussi, suffered from falling into a diversification trap. The electronic attractions of ciation applied by his own com-EEC WHITE GOODS PRODUCTION TOTAL



brand forms 5 per cent of. Europe's white goods

oods industry. Mr Merloni believes that small appliances, where French and German the manufacturing could prove an equally unprocess, creating excess capacity remunerative diversion. Zamussi's grave problem appears to have been solved through its takeover by Electrolux. The acquisition, made in 1984, allowed the to fall and where retail prices rise these would be accom-panied by better performance Swedish company to take a 19 per cent share of Western "White goods are a sector where brend loyelty is absent. European production last year. Mr Merioni is convinced that Electrolux got an bargain when salvaging Zanussi. This is a fair point, given that the company has quickly returned to profitsbillty. It made net profits of L5bn during the first four months of the ances which are backed by a name," Mr Merioni explained. This is the reason for the big

year, against losses of L24bm in the same period last year. The evolution of the sector in the 1980s has produced one in the 1980s has produced an significant change of ownership. There will be another if the US Whingool takes over the Philips-Ignis operations in Italy. Mr Merioni discounts the idea of a saviour being found the Industry which is therefore

likely to disappear. Merloni Elettrodomestici did not remain immune to the difficulties which affected its competitors. However, the company's chief executive said that the business suffered principally from his heavy involvement as chairman of Confidustria at a critical time. Results have improved and the company will be reinforcing its of shares on the Milan Stock Exchange at the end of

November. The Italian white goods industry was fortunate that it did not face outside competition during the upheavals 1980's. Mr Merloni makes the point that the world is divided into three different markets. Neither US nor Far Eastern makers present real threats. Europe is an independent market where requirements would not be satisfied by products from west or east. At the same time, Europe does not pose a threat to them.

Mr Merloni is optimistic about the future. He expects that European demand for large domestic appliances.

domestic appliances, which last year amounted to 31m units and was worth L11,000bn, will remain constant,

David Lane



## Potholes on road to merger

THE PAST year has seen a spate of developments in the European telecommunications sector, and the pace of change is also being kept up in the Italian market.

The year's big Europe-wide deals concern GTE and Siemens on the one hand and ITT and France's CGE on the other.

But Italy's two main indigenous telecommunications equipment makers Italiel and Telettra, have also been plan-ning for the future.

By the end of this year, a feasibility study will address the commercially important and politically delicate question of whether Italiel, the state owned company, should merge with Teletira, the subsidiary of the Turin-based Flat group. The idea would be to rationalise the Italian sector and enable the new company to compete more new company to compete more effectively on the international

But the road to a successful merger is studded with poten-tial problems, not least the amount of money Telettra might contribute to the venture, since its turnover is less than half that

As far as the development of a national telecommunications network is concerned, Italy still lags behind other European countries in subscriber density. It reached a level of 28.9 per cent in December 1984 against 37.1 per cent in the UK and 40.7 per cent in Work Communications. 40.7 per cent in West Germany But Italy's rate of subscriber growth has been impressive and the national figure is distorted by disparities between the still

ACTUAL S

David L

A 1

largely agrarian south and the industrialised north. The indus-trial regions have achieved the level of subscriber coverage associated with West Germany or France, while the south is on a par with Spain or Ireland. While Italy still lags behind

its OECD trading partners in infrastructure, the fact that Italiei and Telettra are able to contemplate a merger is proof of the advances by both

The Italiel turnsround was accomplished under the leader-ship of Ms Marisa Bellisario, the Italial managing director who arrived in 1981 when the Milan-based company made a \$138m loss on \$330m of turn-



**Telecommunications Companies** 

Italted GTE	Sales 1,228	Profit 42.1	Per- sonnel 18,840
Italia Telestra	<b>501</b>	25.7	5,437
(Fiat)	475	20	4.715
Fatme	344	6.1	4,342
Face- Standard	323	12.8	3,987

Testing an Italtel digital exchange (top) Marisa Bellisario, managing director of Italtel (right)

L40.2bn profit on turnover more than double the 1981 sevel. In the first half of the current year, pre-tax profits more than doubled to L38.7bn.

Ms Bellisario's work at litaitel has consisted of reaganising product lines and marketing, introducing more automation and striking deals to spur the shift from electromechanical to digital technologies in public switching.

Chief smotig these agree of digital technologies in public switching.

GTE and Telettra to build a range of digital exchanges, the two main products to emerge from the agreement are the Linea UT switchboard exchanges developed by Italtel group turnover and as of August 1986 more than 220 Linea UT switches worth a total of 450,000 lines were in opera-

over. Under the leadership of automation and striking deals just over a sixth of total "La Bellisario," Italtel has to spur the shift from electroity debt and begun a return to nologies in public switching.

Chief smoth tiese agree of 430,000 lines were in operatiast, year statel made a men's was a 1982 accord with the litalian telephone

network. The Linea UT system is outfitted to handle voice, data, text and image transmission and will represent a key element of the future integrated services digital network (ISDN), which is supposed to become operational by the end of this decade.

Ms Ballisarlo's other signifi-cant inter-company alliance has been with Alcatel in France, Plessey in Britain and Siemens in West Germany. It is a fourway venture designed to co-ordinate research and standardisation of hardware and soft-ware among these European

companies.

Both the GTE-Italtel-Telettra deal and the four-way research and standardisation agreement could be affected by this summer's agreement which will see Siemens taking 80 per cent of a new international venture with GTE and a second accord with France's CGE acquiring much of the European operations of America's TTT.

Ms. Bellierio says that the

Ms Bellisario says that the GTE-Siemens deal, since it pools public telephone switching operations in Italy, Belgium and Talwan, may lead to a revision Taiwan, may lead to a revision of the GTE-Italtel-Telettra pact. But she is confident that the Italtel-developed Linea UT system will see her company through any hiccups resulting from the new GTE-Siemens deal.

Italtel was invited into the CGE-ITT deal, but Ms Bellisario declined, saying she saw little point in joining a deal which would not increase Italtel's market share and which would still leave the French selling the ITT 1240 digital exchange system, which she believes is far from being a winner.

"Why should we spend hundreds of millions of dollars for a 10 per cent minority stake in a consortium like this?" she

haps will gain Italtel more in image than in substance, the company this September added its name to the list of com-panies (led by AT & T) which want to take over CGCT, France's second largest maker of public switching equipment. Italiel is not given much likelihood of succeeding, but the fact that the Italians felt able to make such a bid is remarkable when one considers the poor state of Italian telecommunications companies a few years ago

Alan Friedman

Chemicals

## Belated streamlining by top two

THE Italian chemicals industry has been going through a period of great change in the past four years. It is a period which has seen much restructuring and streamlining, albeit rather belatedly when compared to other chemicals industries in Western Europe.

Western Europe.

When one speaks of the Italian chemicals sector, however, one is really referring to two main companies—the Milanbased Montedison and Enichem, the state-controlled business which is part of the ENI energy

Both Montedison and Endchem have been reducing their workforce, attempting new ventures on the international market and trying to rid themselves of the most costly and unprofitable bulk chemicals areas, which have been a drag on performance.

The single most important development over the past year.
has been the agreement between
Enichem and Britain's ICI to
merge loss-making vinyl chloride monomer (VCM) and poly-vinyl chloride (PVC) operations in Europe. The merger creates a company with close to 25 per company-win close to 25 per cent of the European PVC market, overtaking Solvay of Belgium in size to become Europe's largest producer.

ICI and Enichem spent 18 nouths negatisting the margar months negotiating the merger, which is being accomplished by setting up a 50-50 joint company, to be based in Brussels and known as the European Vinyls Corporation (EVC).

The deal represents not only a significant rationalisation of the European PVC industry, but an important step for Enichem, which will be able to eliminate when will be ance to entimate 200,000 tonnes of excess capacity at Porto Marghera, near Venice, and Brindisi in southern Italy; Enichem is also expected to reduce its workforce by 1,000, and 101 hr about 200. and ICI by about 800.

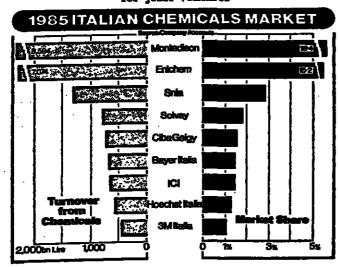
The deal is a feather in the

cap for Mr Lorenzo Necci, Eni-chem chairman, who since 1982 chem chairman, who since 1982 has been battling to put his group in shape. Enichem has been a chronic loss-maker in the past, but Mr Necci's work will this year see the first, tiny profit in 12 years. Last year its revenue was 17,074bn (\$5bn). The Enichem chief is convinced that by reorganising his

company and "running it as a business rather than as an institution which must serve national requirements" he can continue the turnaround. His achievements fall into two categories: the textbook comturnaround measures which until recently were not possible in Italy, and the recognition of joint ventures on a European scale as a route to



Lorenzo Necci, Enichem chairman (left), and Mario Schimberni, head of Montedison, have both looked



rationalise through joint ven-

tures, mergers and acquisitions. Seventy per cent of the fine chemicals business in Italy

(where there is the most value added per product) is in the hands of non-Italian companies. Enichem is thus planning more

ICI-Enichem type deals. The company is negotiating in

Europe on another joint ven-ture, in the difficult field of

polyethylene. It is thought that

the other company is British, but Dr Necci is not willing to

Enichem's weakness lies in the fact that it is saddled with

a great deal of obscure tech-

nology and still spends little on

research and development. The

expected 1986 R&D expenditure will be a pitiful Li50bn, or little more than 2 per cent

of group turnover. Dr Necci says that is a tiny amount, but claims that it is difficult to in-

crease research spending over-

night.
. Dr Mario Schimberni can take

commit himself yet.

In 1983 Enichem had a total debt burden of L2,586bn. This has been brought down to 12,000bn and Dr Necci admits 12,000 on and Dr Necci admits it must fall further. Short-term debt as a proportion of the total has been brought down from 71 per cent ot 55 per cent. The workforce has dropped from 33,000 in 1983 to 29,500, of which more than 2,000 are on state-subsidised lay-off.

Dr Necci has increased the Dr Necri has increased the portion of business he does

with the parent ENI group from with the parent ENI group from 9 per cent to 13.5 per cent of Enichem turnover in the last three years. By last year the doubled export receipts to company had also more than 12,737bn, or 38.7 per cent of total revenues. Most Enichem trade is within Europe.

Recarse of overcapacity in

Because of overcapacity in the European industry, Dr Necci predicts that only a few " great companies will survive." He reckons the secret to success in chemicals is to "globalise" but admits that few companies in Europe have the clout to do so.: credit for having turned around The answer, therefore, is to the Montedison group, which is

back in profit after years of losses. But his future strategy does not seem terribly keen on chemicals. He has been showing group into financial services pension funds, insurance health care and other areas than in base chemicals, which today accounts for 32.76 per cent of the L14,100bn turnover. When fine chemicals and health care are added to base

chemicals these areas amount to 57.17 per cent of group revenues. But Montedison's total share of the Italian chemicals market, even as the market leader, is still only 18 per cent.
The Schimberni strategy has

been, like Enichem's, to form joint ventures and make acquisitions. Montedison's 1983 agreement with Hercules, a leading US chemical company, to form the 50-50 Himont poly-propylene venture, has proven

But this year's tortuous nego-tiations in Stockholm to acquire Fermenta's biotechnology business ended in tears when Montedison withdrew its offer after accusing Mr Refaat El-Sayed, Fermenta majority shareholder, of refusing to supply basic information on the

company.

Montedison has completely restructured its man-made fibres business, slashing the workforce and reducing the number of product lines. The result has been a return to profit for Montefibre, the manmade fibres subsidiary, which last year made a L30.4bn net profit and reacquired its stock market listing.

Montedison has recently been

taken over Mr Raul Gardini, the chairman and major shareholder in the Ferruzzi foods group. With a 22 per cent group. With a 22 per cent shareholding, Mr Gardini has effective control under Italian convention, but he has not indicated a desire to interfere. It is possible to see both of Italy's major chemicals players embarking upon more inter-national deals. The problem is that base chemicals remains a difficult area and neither Enichem nor Montedison can achieve major progress in the short-term.

The structure of the IA6,000bn-a-year chemicals sector also works against any wide-spread rationalisation. Some 38 per cent of Italian chemicals companies are specialty pro-ducers or sub-contractors, with fewer than 100 employees. Another two-fifths of the industry consists of companies with fewer than 500 employees. Alan Friedman

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complex for the production and transformation of flat glass in Italy and is among the most important in Europe. The Group important in Europe. The Group is windows, flat and curved important in Europe. The Group is windows, flat and curved important in Europe. The Group is de windows, flat and curved important in Europe. The Group is de windows, flat and curved important in Europe. The Group is de windows, flat and curved important in Europe. The Group is de windows, flat and curved important in Europe. The Group is described in San Salvo that and acoustic insulation and reflective glass which it produces mirrors and laminated and acoustic insulation and glass, Vetroeuropa in Settimo for the laying of metallic coatings on glass under vacuum. (of which about half is export), sun-roofs. These high quality 10 production and service products are supplied to some companies and has been in a of the main European car makes: break-even or profit situation Fiat, Alfa and Lancia in Italy, break-even or profit situation since 1975.

The Ministry responsible for State Participation in Industry has recently given SIV the responsibility for leading the public sector glass industry by assigning it the control of a number of companies operating in this sector and whose sockers are previously held by other was previously held by other. Management Boards for State Participations.

The Group has a rather varied product range, from the production of 260 thousand tonnes of base material per annum to the transformation of glass into high technology products for the car and building industries and in the field of

Renault, Citroen, Pengeot and Talbot in France; Volkswagen, Mercedes, BMW and Audi in Germany; GM and Volvo in Belgium; Jaguar, Austin Rover and Vauxhall in Great Britain; and, lastly, Volvo in Sweden. SIV holds 25% of the automobile market in Europe (with interesting prospects elsewhere) and has recently won a number of orders. One is from GM, USA, for the one is from GM, 43A, for the supply, over four years; of windows for 50,000 Callistos, the new American top of the range model styled by Fininfarina.

Another is for Russia and the American Crysler and A.F.G. for the supply of a turn-key plant for the production of car windows.

Many buildings using SIV special reflective glass have been constructed in Italy. Milanofiori, one of the more interesting recent and two marketing companies, developments in Italy, and indeed in Europe, is but one example. in Europe, is but one example.

SIV glass is also used in many buildings abroad - in France, Great Britain, Greece, South Korea, Hong Kong and Australia. Recently, 38 thousand square meters of reflective glass were supplied for the Elf Aquitaine skyscraper in Paris. In fact the Group has created a product range which is able to foresee and diverse needs of the suppose of the sup and diverse needs of the In summary, this is a profile and diverse needs of the construction industry with products such as float glass, clear and coloured mirrors, laminated and armoured security glass and low-emissivity reflective glass for energy saving. glass for energy saving.

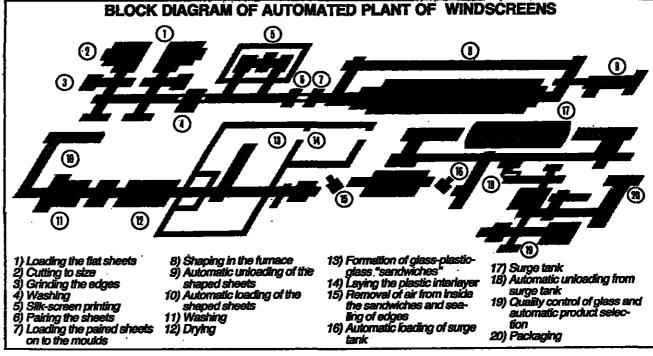
The SIV Group, headed by production of 3 million products for the building and a result the original production EFIM, is the biggest industrial components that include energy saving markets. The Group unit has been joined by those for silicon sand, Flovetro in San Salvo for float glass, Sicover in Aniche for solar collectors SIV Deutschland in Frankfurt,

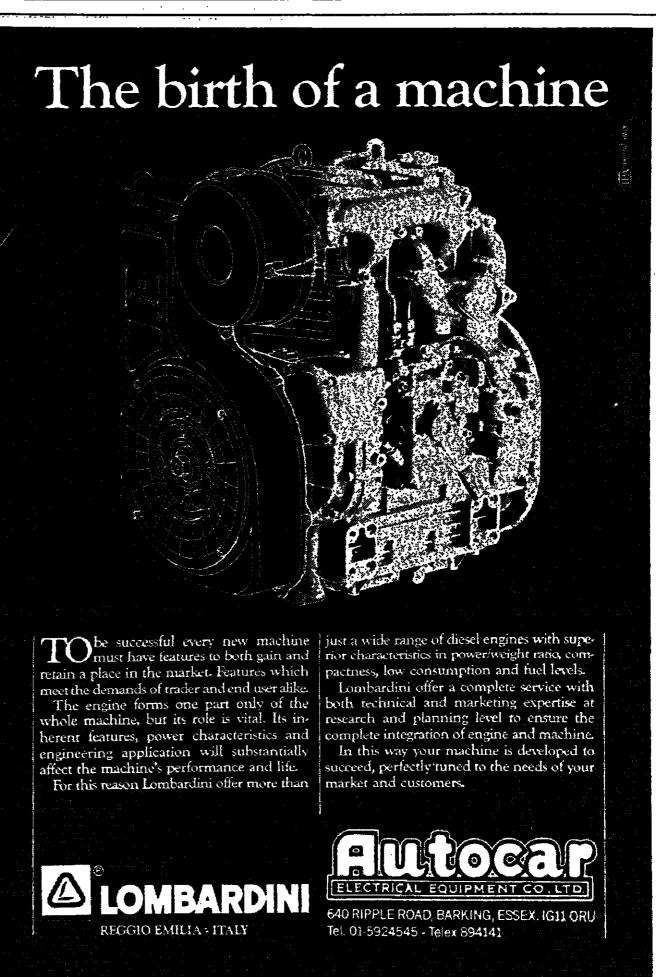
and SIV France in Paris.

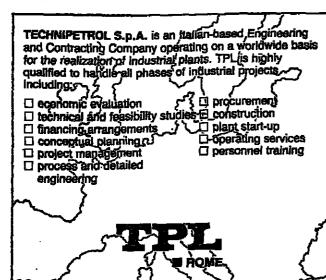
the industry because of its energy saving.

Windows.

All this has led to SIV's industrial strength and product expansion in both the domestic range which faces the reality greatest share, with an annual crisis, SIV has developed glass and international markets. As of international markets.



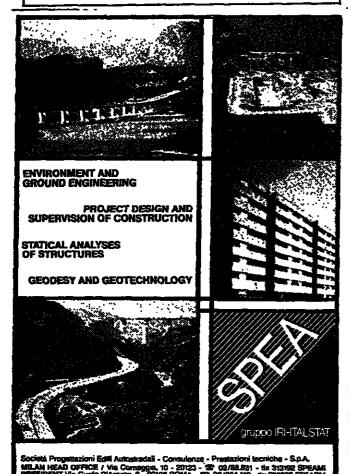




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## Risk of a step

#### backward

CONTINUED FROM PAGE 1

While Mr Proci will have to continue nursing the walking wounded back to some kind of health, his profit centres are expected to be aerospace, elec-tronics and telecommunications.

The virtues of greatly reducing the size of the state sector are discussed in Italy, but there are no signs emerging of a privatisation exercise comparable to that being pushed through by Britain's Conservative Government or even the new French adminis-

It has advocates in the small Liberal Party and some factions of the Christian Democrats and there are many more in industry and business. However, the stronger popular consensus rather unfashionably sensus rather unfashionably holds that the state needs to control and management 'strategie" sectors of the industrial economy.
In spite of Mr Prodi's efforts,

In spite or Mr Frodi's efforts, IRI could still endure a lot of slimming before this concept was threatened. SME was correctly identified by the IRI chief as non-strategic, but his efforts to dispose of it were thwarted by politicians anxious to preserve and protect their to preserve and protect their

A similar story of sensible reorganisation rather than pri-vatisation is evident in the erospace sector, frustrated by political considerations distant from the needs of the busi-

Political interference in industrial matters is not peculiar to Italy. Most European governments want state companies to be in hands which are at least neutral in party political terms and broadly sympathetic to the ann broadly sympathete in the administration's strategies. However, the game is played elsewhere with rather more transparency than in Italy, so responsibility for success or failure can be more accurately attributed.

In fact, the "old Italy" is much more to the fore in relations between government and industry in both the pri-vate and the public sectors. There is nothing unusual in Europe about businessmen put-ting their money and power to political use, but in Italy the process is impossibly subter-ranean and quite improperly Motor Industry

## Fiat scores Alpha in marriage test

For the past year their two main car makers, Fiat and Alfa Romeo, have been courted by the two US giants, Ford and General Motors, in a way that suggests to Italians that they are at the heart of future developments in the European motor industry. But it is axiomatic that court-

ships often involve difficult de-cisions and choices, as both the Italian Government and its motor industry have discovered. The options available involve costs as well as potential advantages, and the most difficult of all is the option which surrenders some degree of Italian corporate autonomy to a foreign partner. Thus the Ford-Fiat talks on a strategic partnership talks on a strategic partnership foundered earlier this year, in the words of the Fiat chairman, Mr Gianni Agnelli, "because neither of the two potential partners was ready to give up the idea of being in command."

The threat to Italian autonomic proceed by a forming in the state of the st

nomy posed by a foreign inves-tor has been crystallised sharply by the subsequent rivalry be-twen Fiat and Ford for control

of Alfa Romeo, When the final decision in favour of Fiat was announced last week by IRI-Finneccanica, the state holding group which owns Alfa, there was an understandable tone of irritation in Ford's response. Mr Alex Trot-man, Ford of Europe's president was at pains to emphasise that Ford had been approached by IRI as a possible acquirer of Alfa.

Ford had put several months of work into evaluating the prestige, but struggling, Italian car company which has not made a profit in 13 years. Fiat then stepped in with a counter-bid less than two weeks before the deadline for an IRI decision. The quality of the Turin

ITALIANS like being at the group's proposals suggests that centre of events, especially it was very keen to be seen those that boost their national to carry off the prize on the merits of its bid and without any suggestion of backroom lobbying by the powerful

Agnelli family.

Although full details of the Ford offer are not known, it is fairly clear that Fiat's was superior in a number of respects. One was that its bid was for full ownership of the entire Alfa company, embracing the commercial vehicles subsidiary and the Nissan joint venture at the Arna plant, whereas Ford wanted just the

car company.
Secondly, Fiat's financial proposal immediately relieved IRI of any financial obligation apart from writing off a size-able chunk of Alfa's debt. Ford offered to buy 19.5 per cent of the company with an option on 51 per cent after three years. IRI would, therefore, have had to share Alfa's losses of an estimated L500bn by 1990. Fiat, moreover, has assumed respon-sibility for L700bn of Alfa's bank debt.

Finally, Fiat's undertakings on employment were more specific than Ford's. Turin is planning a 6,000 cut in Alfa's 34,000-strong workforce, mostly to be achieved through natural wastage and early retirement. Ford was less specific, saying that its aim was a level of employment comparable European productivity.

Having won Alfa, Fiat intends that the acquisition should be a significant strategic develop-ment, signalling an attempt to modestly powered, family saloon cars.

Although the company is doing extremely well financially —its profits this year will be comfortably ahead of last year's 1.2.267bn—Fiat executives say that they are feeling the growing pressure of lareness coming pressure of Japanese com-



Gianni Agnelli, Fiat chairman, proved unwilling to link with Ford

petition on profit margins. petition on profit margins.

This is not true of the Italian market, in which Fiat as a whole is selling more than 900,000 vehicles. Although it sounds like a fable, the truth is that in 1954 the Japanese Government sought a bilateral appearant limiting asserts of agreement limiting exports of Italian vehicles to its domestic market — in return for which it promised to keep sales by Japanese companies below 3,000

units a year.
So it is that the Japanese have seized 11 per cent of the Western European car market without making any impression

in Italy.

But Fiat is selling more than
400,000 cars in Europe outside

Italy, and, in common, with other manufacturers, it is feel-ing the Japanese pinch. Apart ing the Japanese pinch. Apart from the purely defensive pur-pose of keeping a strong rival like Ford out of its own back-yard, the Alfa Romeo strategy aims at strengthening its penetration of the medium to high performance car market where profit margins are much higher.

Fiat's confidence in its ability to achieve this has been enor-mously boosted by the recent success of its Lancia marque, in particular, the Lancia Thema. A fast and stylish model, the Thema has been such a success that Fiat's share of the quality car market in Italy in the first . nine months of this year rose

os buyers or poor quanty and reliability.

They would also have to loosen the firm grip on the US quality market of the West German marques Mercedes and EMW, which together sell-80,000 vehicles there. Fig. executives say that they are not underestimating the task in the US or in Europe, where the new Alfa-Lancia marque would have to take about half of all the growth in the market by 1991. Another powerful competitor in the US market for bigger

At 95,000 units, total tlemend in this sector in the nine months was only 5,000 fewer than for

the whole of last year.
With this success achieved, and a European market for

and a European market and more expensive cars which, it believes, will grow from Francis to 2m vehicles by 1990. Fiat would create a new concern around the Lancia and Alfa. Romeo marques. With a total investment of up to L8,000m by 1991, Fiat would renew almost the entire Alfa Romeo research resist total output from

range, raise its total output from around 180,000 cars to 390,000 while retaining and developing Alfa Romeo's engine production.

capacity.

The plan requires the new company to sell about 60:300 cars a year in the US by 1301, which may be something of a tall order. Alfa Romeo has gradually returned to the US provided this was residually returned to the US.

market this year with about 5,000 sales but to reach Fint's targets both Alfa Romeo and Lancia would have to overcome

unfavourable memories among US buyers of poor quality and

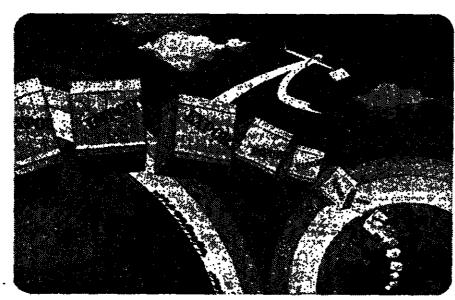
quality cars is, of course Jaguar.
Ford's strategic interests in acquiring Alfa Romeo were similar to those of Flat. The US company needs to strengthen its position at the quality end of the market and to change its image as a producer of good, reliable but rather stolid

It may not be too fanciful to see the rivalry over Alfa Romeous as a continuation of the falled merger talks between Ford and Firt. Every expert forecast points to a reduction in the number of European car makers over the next 10 to 15 years. The companies are jackeying for position to ensure that they can new alliances need to be made. Fiat will have to town the

First will have to turn the Milan-based company around before the acquisition can be transformed into new market power. Much progress has been made under Haly's "company doctor," the managing director Mr Giuseppe Transcontana. But much remains to be done, particularly in a continuing the ticularly in re-equipping the new models.

John Wyles

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## EEC restructuring raises hackles

IN THE SUNLIT foothills of the Italian Alps around Brescia, where the birdsong is drowned in the rumble of steel mills, the drab anonymity of the EEC Council of Ministers building in Brussels seems every inch of 700 miles away.

Yet it is as nothing compared to the much greater distance between attitudes. For the past nine years politicians and bureaucrats in Brussels have struggled to negotiate and to implement a restructuring plan for the Community's steel industry which would bring capacity much closer into line with demand and put a smaller and more compact group of companies back on the road to profit,

Among the Bresciani, a self-confident and enterprising com-munity of small producers, there are those who believe that the entire exercise has been largely about halting the development of the Italian steel industry. The 52 Bresciani steel com-

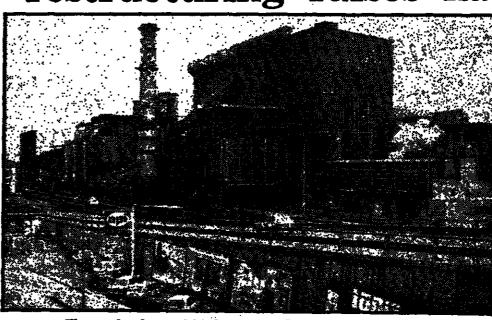
panies are only too aware of the existence of a large pub-licly-owned integrated sector which accounts for 56 per cent of crude steel output. When they talk of the Italian steel industry they are referring to its true heart, which, they believe, beats to the rural east of Milan on the road to Verona and Verona

Producers such as Mr Lucio Beilicini, one of five brothers who run Nuovasider Camuna at the northern end of Lago d'Idro, argue that controlled prices and production quotas have seriously penalised the efficient Bresciani and that the Brussels regime has been far too benigh in its tolerance of Government subsidies.

Nor, says Mr Bellicini, whose ruddy complexion and stocky build suggests more of a farm-ing than a steelmaking back-ground, is the Community steel policy actually focusing on the most urgent question of the

day. Our home market is being flooded by imports and no action is being taken. At the same time, the Bresciani can't export because we are up against Third World countries which are subsidising their sales," he says

While Mr Bellicini appears to enjoy painting the darkest possible picture of his company's problems (though it has not ceased to be profitable, he insists) the evidence of other Bresciani and of the latest



The axe has been wielded over many steel jobs to cut output

of harshly competitive condi-tions at home and abroad. —were close to 20 per cent At Lonato, 20 miles east of higher while exports were down Brescia, the management of Feralpi is still exporting 40 per cent of its output of wire rod and other long products, although three years ago the proportion was several percentage points higher. As a group, the Bresciani export 12.7 per cent of their output.

Mr Armando Fantinelli, a

Feralpi director, claims that the Davignon plan (the restructuring programme named after the former EEC Commis-sioner) has "penalised Italian companies which were the most technologically advanced. Be-cause of imports, the market is now very disturbed. I have never seen it like this before." He is not alone in his anxieties and Italian companies are

backing Eurofer, which groups EEC producers' associations, in its attempt to prompt the European Commission dato recom-mending tougher action against steel imports.

Imports into Italy in the first half of this year rose 25.7 per cent to 2.92m tonnes while exports fell 6.2 per cent. The situation in the flat-rolled products market—in which the ducts market—in which the Over capacity everywhere been partly stanted up, though Italian state sector specialises and a fall in Italian steel cop—is especially serious. Imports sumption from its peak of only operate at half capacity jumped 28 per cent in the first land the trade deficit in these products rose from 453,000 tonnes to 792,000 tonnes.

Long products imports—

The Italian industry as a huge integrated plant at Cornig—

12 per cent. The trade balance here has fallen from a surplus of 757,000 tonnes last year to of 137,000 tonnes last year to 465,000 tonnes. Italian steel out-put by the end of August was 4 per cent down on the same period last year at 15.21m

mes. The seriousness of the foreign imports situation may well threaten the hopes of Finsider, the state steel group, of making important progress towards its break-even point.

Finsider, part of the IRI group and under pressure from the EEC requirement eliminating almost all state subsidies from the beginning of this year, has been dragging itself back towards financial respectability over the past two years after a record Li,600bn loss in 1984. The first six months' lossed this year, L330bn, were half the deficit for the same period last year. But the group's hopes of noving into profit next year are

being dampened by the falling dollar and import pressures. Ominously, its turnover is down 6.5 per cent and its first-half output 2.6 per cent.

whole was reluctant to get to grips with the necessary restruc-turing in the early 1980s, largely through fear of the conse quences in increased unemploy-

This delay partly explains why Finsider is lagging behind the British Steel Corporation, Thyssen and Krupps of West Germany and Hoogevens of the Netherlands, which have all returned to profitch lifts. returned to profitability.

returned to profitability.

Statistics suggest that the Italian steel industry as a whole has cut 4.6m townes away from its 1980 capacity of 36.2m tonnes. But the actual figure may be a little less if the anecdotal evidence offered by Bresciani producers is correct about the volume of new capacity which has been alyly brought into use in the private sector.

may be a little less if the anecdotal evidence offered by Bresciani producers is correct about the volume of new capacity which has been alyly brought into use in the private sector.

But there is no doubt about the effects of the axe wielded at Finsider in the past three or four years, nor the steps taken to modernise and raise productivity. The Taranto works of Nuova Italsider have been technologically improved and the same company's new works at Bagnoli, near Naples, have been partly stanted up, though this coil producing plant can only operate at half capacity because of EEC quotas. Its losses are currently running at the same of the need for closer co-operations. losses are currently running at

steelworks at Sesto San Giovanni, of a rolling mill at Piomoino, and of tube works at Costa Volpino and Dalmine — all these are further evidence. Another important piece of restructuring came last July when, after two years of nego-

when, after two years of nego-tiations with a private consor-tium, Finsider finally reached agreement on the largest-ever privatisation in the Italian steel industry. The private group, known as Cogea, took a 67 per cent stake in part of the Cornigliano com-plex which was due for closure with the loss of all 5,500 johs. More than 1,000 have now been

for processing in private-sector Finsider's restructuring has rationalised production between raionaised production between its various companies. Thus Nuvo Italsider is concentrating on rolled long products, Terni on stainless rolled products, Deltasider on carbon and spe-

saved for rolling steel billets

cial-steel rolled products and Dalmine on tubes. At Bagnoli's coils plant little relief seems in sight following the breakdown of talks with Falck, the largest private steel company, on a quota-swapping arrangement.

According to Finsider, some 3.8m tonnes of capacity were closed between 1980 and 1985

closed between 1980 and 1985 and around 43,000 jobs lost leaving a workforce of 85,000, although the group is now reported to be thinking of cutting a further 15,000 jobs.

Meanwhile, productivity has risen from 8.5 man-hours per tonne of hot steel to 5.2. The group's balance sheet remains heavily burdened with debts of 19,500bn, however.

Faced with the European

a pront out or roned steet. Pur-sider executives are now talking of the need for closer co-opera-tion between private and public

enterprise

John Wyles